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Legislative Audit Council



The State of South Carolina
General Assembly
Legislative Audit Council
A Management and Operational
Audit of the South Carolina
State Department of Education
January 7, 1986

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

A MANAGEMENT AND OPERATIONAL

AUDIT OF THE SOUTH CAROLINA

STATE DEPARTMENT OF EDUCATION

TABLE OF CONTENTS

	<u>Page</u>
<u>REPORT SUMMARY</u>	1
 <u>CHAPTER I - BACKGROUND</u>	 4
History of Education in South Carolina	4
Organization	5
 <u>CHAPTER II - STATE OVERSIGHT OF EDUCATION</u>	 10
District Consolidation	10
Accreditation of Schools and Districts	20
Defined Minimum Program	21
Accreditation Classifications	23
Basic Educational Data System	25
Basic Skills	29
Basic Skills Programs	29
Criteria for Monitoring Basic Skills Programs ...	31
Inadequate Monitoring of Basic Skills Programs ..	32
Teacher Education Programs	35
Temporary Certificates and Permits	37
Teacher Recruitment	39
Vocational Education	42
Agriculture Job Placement	42
Placement Rate Methodology	43
Accuracy of Placement Statistics	44
 <u>CHAPTER III - FINANCE</u>	 47
District Janitorial Services	47
Minimum Teachers' Salary Schedule	49
Fringe Benefits Accounting Controls	51
Allocation of School District Employees'	
Fringe Benefits	54
Funding for Vocational Education Facilities	58
 <u>CHAPTER IV - ADMINISTRATION</u>	 60
State Board of Education	60
Certification Renewal	61
Certification Fees	63
Selection of Subject Areas with Teacher Shortages	64
Cost Control at Bus Maintenance Shops	67
Allocation of School Buses	69

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>CHAPTER IV - (CONTINUED)</u>	
Vandalism and Abuse of School Buses	71
Extracurricular Use of School Buses	72
Sale of Surplus School Buses	74
Contract to Rebind Used Textbooks	75
Assistance to Minority Businesses	76
The Administrators' Leadership Academy	78
<u>APPENDICES</u>	81
A - Comparison of the Current and Alternative Methods of Allocating Fringe Benefits With/Without Phase-In FY 84-85	82
B - State Department of Education Employee Survey	84
C - Agency Comments	86

REPORT SUMMARY

The Legislative Audit Council was requested by the General Assembly to conduct a management performance audit of the State Department of Education. In addition, the Council was directed by a proviso in the Appropriation Act to assess compliance with the Education Finance Act (EFA).

In conducting the audit, the Council reviewed numerous programs and activities of the State Department of Education (SDE) and selected programmatic and fiscal aspects of the Finance Act. In many areas, the Department has adequately implemented the laws and regulations governing the State's educational system. One agency program, the Leadership Academy's Assessment Center, is a model among 39 such centers in the country. Further, SDE is progressing in implementing the provisions of the Education Improvement Act of 1984. However, the Council found areas where improvements can be made in the management of the agency and in the provision of educational services at the State and local levels. These include:

- Small districts in the State are not large enough to operate efficiently and to provide essential staff to meet the needs of the districts. Consolidation of these districts with neighboring districts would provide for more efficient use of EFA funds and improved educational programs (see p. 10).
- The standards used to accredit schools do not adequately measure educational quality. One method used by SDE to monitor school and district compliance with these educational standards is unreliable. These problems were also reported in the Council's 1980 and 1983 reviews of EFA (see p. 20).

- School districts in the State are not complying with the requirements of the Basic Skills Assessment Program. When districts do not comply, students with problems in the basic skills may not be identified or provided instruction to overcome deficiencies (see p. 29).
- The State Board of Education violated State regulation by not disapproving teacher education programs which did not meet State standards at five South Carolina colleges (see p. 35).
- School districts are spending \$2.4 to \$2.7 million more than necessary by employing their own staff instead of contracting for janitorial services (see p. 47).
- The minimum teachers' salary schedule was not increased after funds cut from the schedule one year were restored to the EFA appropriation the next year. As a result, teacher salaries increased by the Education Improvement Act were overfunded between \$1.8 and \$6.3 million (see p. 49).
- Proper accounting controls have not been provided for the funds appropriated for school district employees' fringe benefits. This cost the State approximately \$158,000 in interest revenue in FY 83-84 (see p. 51).
- The State Board of Education has six members who are employees of school districts, creating a potential conflict of interest. These members have voted on issues which directly affect their districts (see p. 60).
- The Department does not charge a fee to individuals applying for teaching certificates as permitted by State regulations. SDE could be collecting additional revenue of more than \$100,000 annually (see p. 63).
- SDE has not complied with the Assistance to Minority Businesses statute. The agency has not ensured that minorities are afforded the opportunity to fully participate in the State's procurement process (see p. 76).

There are several programs for which the Department needs to develop standards, guidelines or criteria to provide better oversight. Standards are needed to determine district compliance with the Basic Skills Assessment Act, so SDE can assess districts' Basic Skills Programs

consistently. Cost controls at bus maintenance shops and criteria for allocating buses are needed for more efficient management of the State's school buses. Criteria for selecting subject areas with critical teacher shortages should be developed to ensure that these areas are identified and designated for inclusion in the Teacher Loan and Conditional Teacher Certification Programs. Guidelines for districts to use in preparing vocational education facilities' plans would improve SDE's planning for the financing of these facilities.

The following chapters discuss, in detail, these problems and others in the areas of State oversight of education, finance and administration. Recommendations for improvements in the administration of and compliance with the Education Finance Act are also included in the report.

The terms State Department of Education, SDE and Department are used interchangeably throughout the report. The Council appreciates the cooperation and assistance of Department staff and education officials during the course of the audit.

CHAPTER I

BACKGROUND

History of Education in South Carolina

Efforts to provide and regulate a system of public education in South Carolina began over a century ago. The State's first major effort toward establishing a public education system came in 1811 with the passage of an act providing for free schools in each legislative district, in proportion to representation in the South Carolina House of Representatives. The act also provided for an annual appropriation of \$300 to each school.

The 1868 Constitution of South Carolina provided for a State Superintendent of Education, county school commissioners, and a State Board of Education comprised of the county commissioners and the State Superintendent. The constitution authorized a property tax and a poll tax whose proceeds would be used solely to support education. The constitution also provided for compulsory school attendance for children age six to 16. In 1878, a constitutional amendment authorized a State tax of not less than two mills to be spent for educational purposes in the county where raised.

In 1878, the forerunner of the present State Board of Education, the State Board of Examiners, was established and replaced the board comprised of county school commissioners as the central education authority. This Board was

authorized to interpret school laws, prescribe and enforce requirements for teachers and adopt textbooks. During this period, the counties were divided into school districts.

The 1896 Free School Act defined the duties, responsibilities and powers of the State Board of Education, formerly the State Board of Examiners, and of the State Superintendent of Education, school superintendents, boards and trustees. Further, the Act authorized the legislature to levy additional taxes for public education, if existing taxes were not sufficient.

In 1964, more specific duties of the State Board of Education and the State Superintendent were provided. The State Board gained additional responsibilities when the State Schoolbook Commission and the Educational Finance Commission were dissolved and their duties given to the Board.

Organization

Education in South Carolina is regulated at two levels, State and local. At the State level, responsibility for regulation primarily involves the State Board of Education, the State Superintendent and the State Department of Education (see Table 1).

The State Board of Education is comprised of 17 members. Sixteen are elected by the legislative delegations from each judicial circuit and one is appointed by the Governor. The Board is responsible for adopting policies,

procedures, rules and regulations to govern public education in the State. The Board is empowered to approve budget requests for institutions and agencies under its control; adopt minimum standards for any phase of education; prescribe and enforce rules for the examination and certification of teachers; prescribe and enforce the use of textbooks and other instructional materials; and assume other responsibilities and powers assigned it by law.

The State Superintendent, elected by the people, is responsible for carrying out the policies and procedures prescribed by the Board and serves as secretary and administrative officer of the Board. The Superintendent has general supervision over and management of State and federal funds provided for education and is empowered to organize, staff and administer the State Department of Education.

The State Department of Education has no separate enabling legislation. Its creation and purpose are an extension of the office of the State Superintendent, who is the chief administrator of the Department. The Department administers, through the State Superintendent, the policies and procedures of the State Board of Education. The agency also distributes State, federal and other funds to school districts. Table 2 shows the Department's revenues and expenditures for past five fiscal years.

At the local level, the State's public education system contains 92 school districts, serving approximately 600,000 students. A board of trustees, a superintendent and staff

are responsible for directing and managing the public schools in each district. The school board is the policy-making body at the local level. The board manages and controls district educational interests and property; employs and discharges teachers; and prescribes standards of conduct and scholastic performance. The daily operation of the district is managed by the superintendent. The district office staff provides assistance to the local schools and to the superintendent in managing the district.

TABLE 1
STATE DEPARTMENT OF EDUCATION
ORGANIZATION CHART

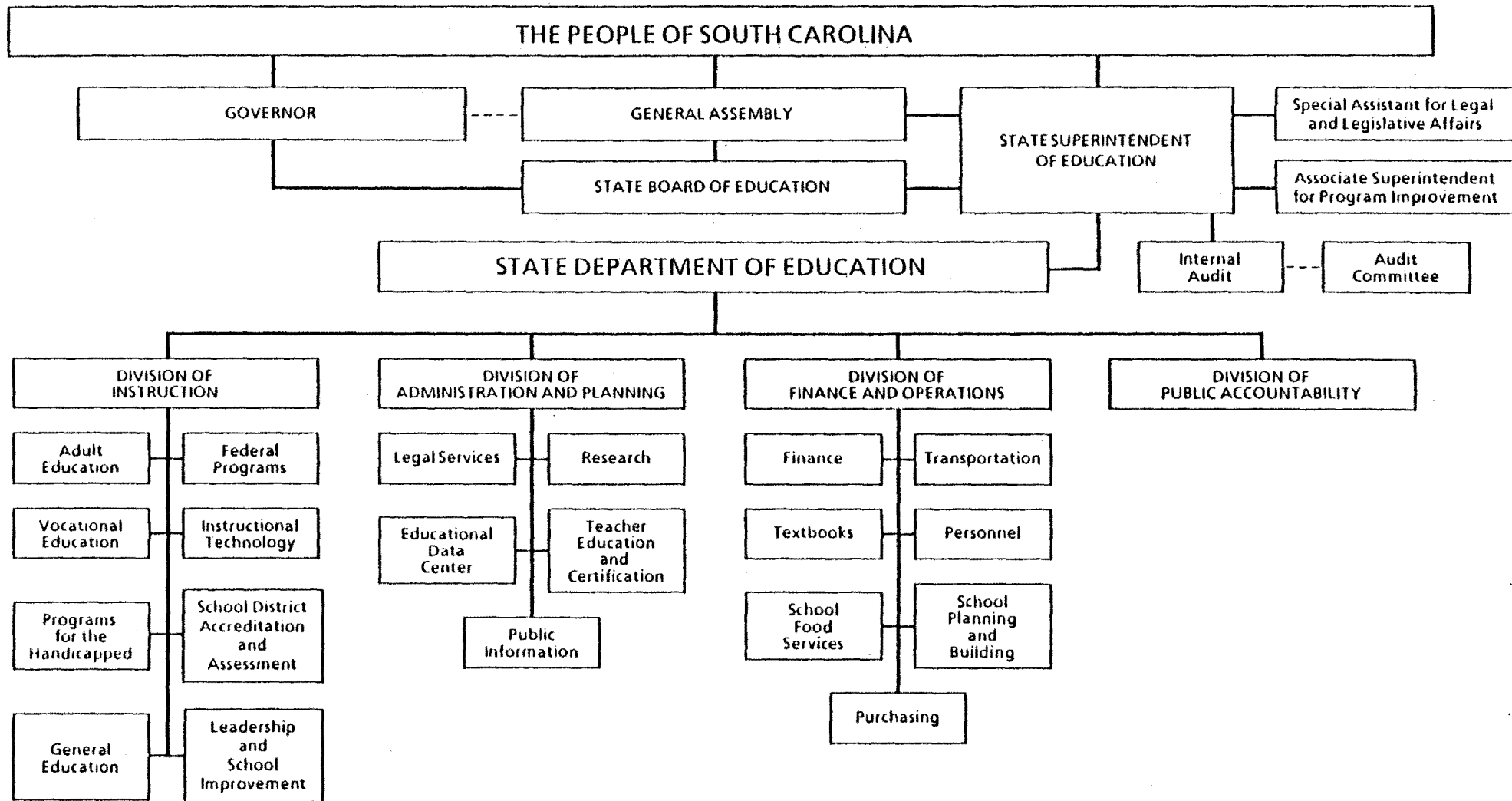


TABLE 2
STATE DEPARTMENT OF EDUCATION
SOURCE OF REVENUES AND EXPENDITURES

<u>Revenues</u>	<u>FY 80-81</u>	<u>FY 81-82</u>	<u>FY 82-83</u>	<u>FY 83-84</u>	<u>FY 84-85¹</u>
State General Fund	\$648,548,410	\$704,575,202	\$737,010,785	\$803,976,674	\$ 876,588,386
Federal Funds	156,907,323	149,214,084	154,073,492	142,201,781	156,545,291
Other Funds	2,175,123	4,599,683	883,251	1,010,183	186,023,594 ²
TOTAL Revenues	\$807,630,856	\$858,388,969	\$891,967,528	\$947,188,638	\$1,219,157,271
<u>Expenditures</u>					
Policy Development	\$ 244,328	\$ 248,036	\$ 242,829	\$ 295,295	\$ 371,181
Staff Administration	2,601,467	2,340,833	2,555,526	2,694,329	3,171,115
Instructional Support	116,764,171	101,088,420	104,052,545	98,275,748	105,347,689
Non-Instructional Support	80,242,328	86,641,889	83,816,867	89,509,501	94,429,288
Direct Support	46,585,629	42,726,955	41,085,888	36,894,368	41,714,638
Planning, Research, Evaluation and Information Services	2,768,577	5,528,190	4,585,918	5,173,120	5,729,261
Education Finance Act	449,428,772	494,238,217	523,074,671	562,672,048	609,139,535
Aid to Other State Agencies	-	116,247	70,241	70,241	-
Public School Employee Benefits	106,259,767	122,379,950	129,190,916	140,017,591	145,848,591
Employee Benefits	2,735,817	3,080,232	3,292,127	3,586,397	3,900,707
Non-Recurring Appropriations	-	-	-	8,000,000	17,000,000
Supplemental Appropriation	-	-	-	-	7,324,994
Education Improvement Act	-	-	-	-	185,180,272
TOTAL Expenditures	\$807,630,856	\$858,388,969	\$891,967,528	\$947,188,638	\$1,219,157,271
TOTAL Personnel	1,098	1,085	1,066	1,054	1,106

¹ FY 84-85 figures provided by the State Department of Education.

² The increase to \$186 million was due to the 1 cent sales tax increase for the Education Improvement Act.
Source: State Budget and Control Board.

CHAPTER II
STATE OVERSIGHT OF EDUCATION

District Consolidation

Introduction

Some school districts in the State that could benefit from consolidating with neighboring districts have not consolidated. Small districts are not large enough to operate efficiently and provide essential staff to meet the educational needs of the districts.

The South Carolina school system is organized into 92 school districts whose average daily memberships (ADM) in grades K-12 ranged from 540 to 51,123 in FY 83-84. The State has 29 counties containing a single district and 17 counties with from two to eight districts. Fourteen of the counties containing more than one district had districts with fewer than 3,000 students.

To determine if district size has an effect on the operation of school districts, the Council analyzed the educational costs, professional staff and educational needs of the districts in the State in FY 83-84. Except where otherwise noted, comparisons were made between districts with fewer than 3,000 students and those with more than 3,000 students. According to this criteria, there were 39 "small" districts and 53 "large" districts. The findings are discussed below.

Educational Costs

Four educational cost factors were examined to determine if there were identifiable differences between large and small districts. Although size did not affect one of the factors analyzed, instructional services, three factors indicated that one size range had a higher operating efficiency than the other. Average expenditures per pupil for the operating expenses of general administration and auxiliary services were higher in small districts. Total operating expenditures per pupil were also high for the smallest districts in the State. Average expenditures per pupil for plant operations and maintenance were higher in large districts.

Small districts with fewer than 3,000 students spent an average of \$210 per pupil for general administration in FY 83-84, which was 26% more than the average expenditure of \$166 by large districts. Small districts also spent an average of \$568 or 8% more per pupil for auxiliary services (including summer school, adult education programs, transportation, food services and student body activities) than large districts, which spent an average of \$526. On the other hand, large districts spent \$248 on the average for plant operations and maintenance, which was 16% more than the average expenditure of \$213 by small districts.

Average expenditures per pupil increased for all operating expenses in FY 83-84, as district size decreased from 3,000 students (see Table 3). For example, average

per-pupil expenditures for general administration increased from \$186 for districts with 2,000 to 2,999 students to \$278 for districts with fewer than 1,000 students. Average total operating expenditures increased from \$2,015 for districts with 2,000 to 2,999 students to \$2,370 for districts with fewer than 1,000 students.

TABLE 3
AVERAGE OPERATING EXPENDITURES BY DISTRICT SIZE RANGE
FOR DISTRICTS WITH FEWER THAN 3,000 STUDENTS
FY 83-84

District Size Range ¹	Operating Expenses				TOTAL Operating Expense
	General Administration	Instructional Services	Auxiliary Services	Plant Operations and Maintenance	
2,000 - 2,999 (12) ²	\$186	\$1,091	\$530	\$208	\$2,015
1,000 - 1,999 (20)	222	1,133	591	215	2,161
Less than 1,000 (7)	278	1,203	660	229	2,370

¹ District Size Range represents average daily membership (ADM) of districts.

² Numbers in parentheses represent the number of districts in the size range.

Source: Legislative Audit Council, based on information provided by the State Department of Education.

District Office Staff

A school district should be of sufficient size to support a district office staff which has an adequate number of personnel with a variety of professional skills.

Staffing levels in the areas of business management, pupil personnel services and instructional supervision were lower for small districts than for large districts in FY 83-84.

Large districts had an average of six employees in the district office to assist the superintendent in areas of business management, while small districts had an average of

fewer than two employees. Of the 39 districts with fewer than 3,000 students, 26 had no one employed as business manager, accountant, bookkeeper or finance director. Only two small districts employed a personnel director. Twenty-six or more of the districts had no one employed in the areas of buildings and grounds, vehicle or transportation supervision. Four small districts did not designate anyone on the district office staff with responsibilities in any area of business management.

Large districts had an average of seven employees in the district office to provide health, psychological and social services for students, while small districts averaged only one pupil personnel services employee. Of the 39 districts with fewer than 3,000 students, 20 or more did not employ a school nurse or psychologist. Thirty-five small districts did not employ a social worker, and 30 did not employ an attendance officer. Eleven small districts did not identify any employee with responsibilities in the area of pupil personnel services.

Large districts had an average of seven employees to assist the superintendent in the supervision of instruction in the district, compared with an average of fewer than two instructional supervisors in the small districts. In reviewing staff related to instruction in the basic skills in the 39 small districts, only three employed either an elementary or a secondary education supervisor or consultant. Twenty-five small districts did not employ a

reading supervisor, and 31 small districts did not employ a mathematics supervisor. Four small districts employed no one in the area of instructional supervision.

Educational Needs

A review of the results of the 1984 Statewide Testing Program, using the Comprehensive Tests of Basic Skills (CTBS), provided an indication of the educational needs of students in the small districts. In the fourth grade, 16 of the State's 25 lowest scoring districts had enrollments of fewer than 3,000 students. In the tenth grade, 17 of the 25 lowest scoring districts had fewer than 3,000 students. Similar results were also found with the seventh grade test.

The size of districts does not determine the test results. Other factors, such as socioeconomic background and the educational level of parents, are strongly related to test performance. However, a comparison of the test results with instructional supervision staff and other personnel in the small districts indicates that districts with the greatest educational needs have fewer resources available to them to meet these needs.

Also, in 1985 the State Department of Education found the quality of education in six districts to be seriously impaired, according to criteria outlined in the Education Improvement Act. Five of the six districts had enrollments of fewer than 1,500 students.

The differences between large and small districts have been documented previously. In 1973, SDE conducted a study on school district size. Financial factors, district staffing levels and educational needs were also compared for districts with more than 3,000 students and districts with fewer than 3,000. Using data from FY 71-72, the Department had similar findings to the Audit Council review conducted in these areas using FY 83-84 data.

Optimum Size of School Districts and Consolidation

The optimum size of a school district has not been clearly established. However, optimum size recommended by educational researchers, some states, and professional education organizations ranges from 5,000 to 20,000 students.

In South Carolina, the base student cost, the funding level necessary for providing a minimum educational program, is based on educational costs for a hypothetical school district with 6,000 students. The base student cost is a factor used in providing funds for education through the Education Finance Act (EFA). It was developed by estimating instructional, administrative and other costs for a student in the least expensive program (grades 4-8), based on guidelines provided in the Defined Minimum Program (DMP) and "best-known practice" in the State. Because some district costs, such as required staff, will be incurred regardless

of district size, more efficient use of EFA funds occurs as a district approaches 6,000 students.

The 1973 SDE study on school district size recommended that school districts be consolidated for the purpose of promoting operating efficiency. The study stated a consolidation plan should require districts to encompass an entire county regardless of the number of students enrolled, except in cases where districts exceed the optimum size of 10,000. The study recommended that 3,000 students constitute the minimum size of any district.

Other studies by SDE and education review committees have recommended district consolidation. The Survey Section of the Department conducts consolidation studies, facilities surveys and administrative reviews of districts at the request of the local boards of trustees or the legislative delegations. Since 1969 the Survey Section has recommended consolidation of districts in seven counties. Only Calhoun 1 and 2 have consolidated as recommended by the Department. Further, in 1985, State Board of Education-appointed review committees in two districts recommended that the districts consider consolidation with neighboring districts for educational improvement. The two districts had been identified by SDE as seriously impaired in providing quality education.

Benefits of District Consolidation

District consolidation can result in increased operational efficiency, as well as improved educational programs for students. The base student cost (BSC), used to provide EFA funding to districts, is based on the elements expressed in the DMP as required, implied or needed for a minimum education program. Because the BSC was determined from the costs of a district with 6,000 students, smaller districts with per-pupil costs higher than provided for through the BSC must use more local funds to provide the minimum education program outlined in the DMP. If more local funds are not provided, the districts must cover their higher costs by not providing some of the implied or needed elements for a minimum education program. Further, when per-pupil costs are higher in small districts, fewer funds are available for upgrading the educational programs in these districts. Studies show when districts consolidate, students benefit from an improved educational program. Therefore, consolidation can provide more equity in educational opportunities for students in the State.

When Calhoun 1 and 2 consolidated in 1974, several effects were observed. The tax base for Calhoun 2, as measured by assessed valuation per pupil, increased from \$2,487 in FY 73-74 to an average of \$4,350 for the consolidated district in FY 74-75. One school was closed after consolidation occurred, contributing to a reduction in operating expenditures of approximately \$89,000 for the

consolidated districts. The reduction in operating expenditures also included a 27% decrease in expenditures for general administration from a combined total for both districts of \$90,630 to \$66,466 for the consolidated district.

Incentives and Responsibility for Consolidation

Community pride has kept districts from consolidating. Further, the State does not provide incentives to encourage district consolidation. Some states have provided incentives through their state aid formulas for education. For example, Arkansas provides an add-on weight for each student in a district that consolidates with a neighboring district. A percentage of the add-on is also provided in the second and third years after consolidation. Illinois provides supplementary state aid payments to districts that consolidate for specific cost items, such as teacher salaries.

Sections 59-17-20 and 59-17-50 of the South Carolina Code of Laws give the authority for consolidating districts to the General Assembly and the county boards of education. The State Board of Education has the authority to "effect desirable consolidations of school districts" (§59-5-100), but this authority is of an advisory nature. To promote district consolidation, a comprehensive study could be conducted, using the methodologies of the Survey Section in

its consolidation reviews and including recommendations for desirable consolidations.

RECOMMENDATIONS

THE STATE DEPARTMENT OF EDUCATION SHOULD CONDUCT A COMPREHENSIVE CONSOLIDATION STUDY, WHERE CONDITIONS WARRANT, IN COUNTIES WITH MORE THAN ONE SCHOOL DISTRICT AND MAKE RECOMMENDATIONS WITHIN ONE YEAR TO THE STATE BOARD OF EDUCATION AND THE EDUCATION COMMITTEES OF THE GENERAL ASSEMBLY ON DESIRABLE CONSOLIDATIONS OF SCHOOL DISTRICTS IN THE STATE. THE STUDY SHOULD INCLUDE AN ASSESSMENT OF THE IMPEDIMENTS TO CONSOLIDATION AND IDENTIFY ACTION THAT COULD BE TAKEN, SUCH AS THE ENACTMENT OF FINANCIAL INCENTIVES, TO PROMOTE CONSOLIDATION OF DISTRICTS.

BASED ON THE RECOMMENDATIONS OF THE STUDY, THE GENERAL ASSEMBLY SHOULD CONSIDER ENACTING LEGISLATION TO ENCOURAGE DISTRICT CONSOLIDATIONS FOR PROVIDING INCREASED OPERATIONAL EFFICIENCY FOR DISTRICTS AND IMPROVED EDUCATIONAL PROGRAMS FOR STUDENTS.

Accreditation of Schools and Districts

Introduction

This section examines the role of the State Board and the State Department of Education in providing oversight of education required by the Education Finance Act (EFA). Emphasis was placed on the State's ability to monitor school districts for compliance with the Act and to ensure the availability of an adequate educational program for every student. Thus, statewide educational standards and monitoring and evaluation systems were reviewed.

The State system for the oversight of education has its basis in the State Board of Education philosophy which calls for "an annual evaluation of educational quality in each school district in the State." The Board further states, "to ensure equal educational opportunity and to uphold educational quality, there must be an accreditation of all...schools."

In order to be accredited, each school must meet a set of minimum standards which cover all phases of its operation. These standards are called the Defined Minimum Program (DMP) and address such areas as: the number of students allowed per class; the minutes to be spent in reading and math; the financial records of the district; the length of the school day; and the number of courses offered by a high school. Schools which are classified as "dropped" by the accreditation process are ineligible for funding under EFA (§59-20-60 of the South Carolina Code of Laws).

Responsibility for monitoring school compliance is given to the Office of School District Accreditation and Assessment. Schools must report to accreditation staff basic information about their programs, teachers and enrollment as part of the data collection system called the Basic Educational Data System (BEDS). The BEDS, along with an on-site visit to the school, serves as the basis for determining compliance with State law and for accrediting the school as offering the required minimum program. After this review is made, the Office of School District Accreditation and Assessment recommends to the State Board of Education an accreditation rating for each school.

Defined Minimum Program

The DMP does not encourage schools and districts to examine the academic performance of their students. In its 1980 and 1983 reviews of EFA, the Council reported that, through the DMP, the State Board of Education had attempted to define the resources necessary for the education process. However, the effective use of those resources in meeting individual students' needs has not been fully addressed.

The DMP sets the minimum educational standards for all public schools in the State and establishes criteria by which the schools are accredited. The standards focus primarily on requiring that certain types and amounts of resources be available, but infrequently address the use of those resources in upgrading the educational process and

improving learning. Such broad topics as qualifications of school personnel, curriculum description, and administrative organization are the primary components of the standards. The DMP standards include few measures of the success of educational programs and of individual skills learned.

The emphasis on resources can result in standards which are so specific on "quantities" that it hinders districts in focusing on students' needs, thus affecting the quality of learning. Current standards, for example, define specific instructional time requirements for subjects which make it difficult for districts to provide instruction based on the needs of the individual student.

Educational standards may be divided into two categories, procedural standards and performance standards. Procedural standards, which are input-related, comprise the main criteria by which SDE accredits schools and districts. Providing resources is the first step in setting minimum educational standards, but these standards are incomplete without criteria for districts to use in evaluating the effective use of those resources.

Both EFA and the Basic Skills Assessment Act (see p. 29) stress education based on student needs. The Education Improvement Act (EIA) emphasizes quality in education, as well as the improvement of student performance. However, it is the DMP which sets the overall tone of the State's education program. Therefore, the establishment of minimum standards, which stress both the

effective use of required resources and improvement in student performance, is a sound practice and should lead to an emphasis on quality education. With the addition of performance standards to the DMP, progress for all types of students will be highlighted as the primary responsibility of the educational system.

In October 1985, the State Board of Education approved a proposed new accreditation system for the State's schools. The new system will include standards for minimum student performance and leadership and management in the schools and districts, as well as quantitative standards now a part of the accreditation system. The new system is scheduled to be pilot tested in the 1986-87 school year and, if approved by the State Board, to be fully operational during the 1988-89 school year.

Accreditation Classifications

The purpose of accreditation classifications is to indicate the extent to which individual schools and districts comply with the State standards prescribed by the DMP. The five accreditation classifications - all clear, advised, warned, probation and dropped - are inadequate indicators of the degree of compliance with the DMP standards and of the quality of education.

In its 1980 and 1983 reviews of EFA, the Council found the severity and number of deficiencies in meeting the DMP standards had not been used by SDE to determine the

classification a school receives. Instead, the length of time a deficiency had existed determined the rating. An examination of the accreditation ratings assigned to all schools by SDE in FY 84-85 revealed accreditation classifications are still assigned in this manner.

For example, one school was rated "warned" for a teacher who was not properly certified for the second consecutive year. Another school received a less severe rating of "advised" for not providing art and music specialists, and having one teacher not properly certified, one teacher without a certificate, and more than 10% of instructional time taught by improperly certified personnel. Therefore, a "warned" rating does not necessarily indicate a more serious situation than does an "advised" rating. The criterion that the longer a deficiency exists the more severe the rating does not appear in the written standards or procedures of the Department.

Accreditation personnel at SDE have expressed concern that the public and local school boards assume an "all clear" accreditation rating means that a quality educational program is in place, when this is not always the case. In FY 84-85, six districts were found to be seriously impaired in providing quality education, according to criteria outlined in EIA. Two of these districts received accreditation ratings of "all clear" in the same year.

There are three factors in the accreditation classification systems of other states which make it

possible for the ratings to reflect more accurately the status of educational programs. First, the purpose of accreditation is clearly stated. Second, there is recognition of the various components of accreditation, such as compliance with laws and progress in meeting district goals and objectives. Third, the system uses a scale which indicates the progress a school or district is making in improving educational programs.

In 1984, the DMP Advisory Committee, appointed by the State Superintendent of Education, recommended revisions to the DMP, including changes in the accreditation classifications. However, when EIA was introduced in the General Assembly, the State Superintendent and Department staff decided to wait before proposing regulations to change the DMP, to see how EIA would affect the DMP and the accreditation process. Until the accreditation classifications are revised, the degree of compliance with State standards cannot be clearly established. Further, individual schools and districts will not know the relative status of their programs in comparison with other districts' programs.

Basic Educational Data System

The use of the "Assurances" is an unreliable method of monitoring district compliance with the non-quantifiable standards in the DMP. The Assurances is a checklist of information contained in the BEDS, on which each school

principal certifies that certain non-quantifiable requirements of the DMP are being met. Such requirements as the principal spends 50% of his time improving instruction, adequate materials are provided for the guidance program, and there is a well-organized in-service educational program are among the Assurances checked "yes" or "no." The information is maintained in the SDE computer for review by accreditation staff during the accreditation process.

In its 1980 and 1983 reviews of EFA, the Council found problems with the use of the Assurances in monitoring compliance with the DMP standards. These problems are still present. As the Assurances are worded, there is a wide range of interpretation and definition of the requirements. Further, they are considered by district personnel as a "checkoff of intentions" to meet the requirements. If the school principal plans to carry out the listed requirements, they are checked as being in compliance. As a result, the Assurances are not an accurate representation of district compliance with the DMP standards they are intended to monitor.

Of 29 schools whose BEDS information was reviewed by the Council for FY 84-85, 11 schools (38%) had deficiencies contributing to their final accreditation ratings which were not indicated on the Assurances. Instead, these deficiencies were found on a comprehensive audit or on-site visit of the schools by accreditation staff of the State Department of Education.

Monitoring instruments should be true measures of compliance with the requirements they are intended to monitor. Until monitoring of the non-quantifiable aspects of the DMP is improved, inaccurate information on district compliance with these standards may continue to be reported.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD REVISE THE DEFINED MINIMUM PROGRAM TO PROVIDE STANDARDS WHICH ARE MORE CONSISTENT WITH LEGISLATIVE, STATE BOARD, AND LOCAL EDUCATION GOALS. THE STATE BOARD SHOULD CONSIDER THE FOLLOWING CRITERIA IN REVISING THE MINIMUM EDUCATIONAL STANDARDS:

- (1) IN ADDITION TO DEFINING THE RESOURCES WHICH SHOULD BE AVAILABLE, STANDARDS SHOULD FOCUS ON STUDENT PERFORMANCE. GUIDELINES FOR SETTING PERFORMANCE STANDARDS SHOULD ADDRESS THE USE OF RESOURCES IN MEETING INDIVIDUAL STUDENT NEEDS.
- (2) STANDARDS SHOULD INCORPORATE THE INTENT AND DIRECTIVES OF THE BASIC SKILLS ASSESSMENT ACT AND THE EDUCATION IMPROVEMENT ACT. THEY

SHOULD REQUIRE THE ESTABLISHMENT OF A STRUCTURE IN EACH SCHOOL DISTRICT FOR CONTINUALLY MONITORING STUDENT PERFORMANCE, REPORTING RESULTS, AND TAKING APPROPRIATE REMEDIAL ACTION.

- (3) STANDARDS SHOULD BE EXPRESSED IN TERMS WHICH ARE CLEAR AND MEASURABLE.
- (4) PROCEDURES FOR DEMONSTRATING COMPLIANCE WITH STANDARDS SHOULD BE SIMPLE AND REQUIRE A MINIMUM OF PAPERWORK.

THE STATE BOARD OF EDUCATION SHOULD REVISE THE ACCREDITATION RATING SYSTEM, EMPHASIZING THE PURPOSE OF THE ACCREDITATION PROCESS AND DEFINING THE RATINGS TO CLARIFY THE MEANING OF THE LEVELS OF ACCOMPLISHMENT, PROGRESS AND COMPLIANCE.

THE STATE DEPARTMENT OF EDUCATION SHOULD DEVELOP WRITTEN POLICIES ON THE ACCREDITATION PROCESS TO BE FOLLOWED IN DETERMINING PRELIMINARY RATINGS AND ASSIGNING FINAL RATINGS.

IN REVISING THE DEFINED MINIMUM PROGRAM,
THE STATE BOARD OF EDUCATION SHOULD
EVALUATE THE NEED FOR CONTINUING THE USE
OF THE "ASSURANCES" AS PART OF THE BEDS
MONITORING SYSTEM.

Basic Skills

The Council reviewed SDE's oversight of basic skills programs and found three problems which are discussed below.

Basic Skills Programs

South Carolina school districts are not complying with the Basic Skills Assessment Program (BSAP). In 90 of 114 inspections conducted by SDE from FY 80-81 through FY 83-84, school districts had not complied with BSAP.

Section 59-30-30 of the South Carolina Code of Laws states that districts shall meet certain requirements for BSAP. These include:

- (1) Adopting appropriate policies to ensure continuous assessment of student progress in the basic skills;
- (2) Using the results of basic skills tests to diagnose student deficiencies;
- (3) Providing basic instruction to aid students in meeting statewide minimum performance standards when a deficiency is indicated by basic skills tests; and
- (4) Providing test information, explanation of deficiencies and suggestions to a parent or guardian

of a child with problems in the
basic skills.

An official of the State Department of Education stated that the timetable for BSAP has not allowed districts sufficient time to comply with the various phases of the program. However, the Department has not performed an in-depth analysis of the district monitoring reports to identify common problem areas and the causes for district noncompliance. Also, the Department has adopted an ineffective monitoring system which has allowed 88 of 114 districts inspected which were not meeting the BSAP requirements to be rated as "progressing toward compliance" instead of "not in compliance." The allowance of such a rating can reduce a district's initiative to comply expeditiously with the law. Only two districts were designated as "not in compliance" from FY 80-81 through FY 83-84. Further, because the Department has not conducted follow-up inspections after monitoring, there is little incentive for districts to correct deficiencies to meet the BSAP requirements (see p. 32).

When school districts do not comply with BSAP, there is no assurance that students with problems in the basic skills are identified. Also, students may not be provided the instruction necessary to overcome basic skills deficiencies.

Criteria for Monitoring Basic Skills Programs

SDE has not developed standards to determine district compliance with the Basic Skills Assessment Program. The Department has not established criteria for the categories it uses to evaluate BSAP. As a result, SDE has been inconsistent in the assessment of district Basic Skills Programs.

The Department categorizes a district's Basic Skills Program as "in compliance," "progressing toward compliance" or "not in compliance" with the seven requirements of the Basic Skills Assessment Act. However, SDE has not defined the requirements which must be met by districts for each of the three categories. For example, an agency official stated that "progressing toward compliance" means the district is moving toward compliance but has not met all the requirements of BSAP.

Because the Department has not specified the standards which must be met for basic skills compliance, districts receiving the same categorical ratings have received different overall assessments. For example, two districts were rated the same for all basic skills requirements, but one district received an overall rating of "progressing toward compliance" while the other was rated "not in compliance." Further, a district not meeting one requirement was found "not in compliance" while two other districts not meeting the same requirement were found "progressing toward compliance."

SDE has not taken the initiative to establish standards to assess district compliance with BSAP. Education programs should have standards to ensure objectivity and consistency in monitoring school district programs. Without standards to measure compliance, program evaluators cannot effectively assess programs, determine if they are working properly and make recommendations for corrective action.

Inadequate Monitoring of Basic Skills Programs

The Basic Skills Section of the State Department of Education began monitoring districts' Basic Skills Programs in FY 80-81. Basic skills monitoring was developed to determine district compliance with the Basic Skills Assessment Program. In FY 84-85, the basic skills monitoring process was revised to include compensatory and remedial programs to comply with the provisions of the Education Improvement Act. However, the Department has not adequately monitored district Basic Skills Programs.

SDE has decreased on-site inspection of district Basic Skills Programs since FY 82-83. Of the 92 school districts, the Department inspected 44 (48%), 23 (25%) and 15 (16%) for basic skills compliance from FY 82-83 through FY 84-85, respectively. If the Department continues to monitor Basic Skills Programs at this rate, it will take approximately six years to review all school districts. Also, the Department has not conducted follow-up inspections of districts found

"progressing toward compliance" or "not in compliance" with BSAP.

The Department requires each school district to submit Assurances for basic skills annually. The Assurances are signed by the district superintendent and assess implementation of BSAP. If a district is not monitored by SDE during the year, the Assurances are used to review the status of Basic Skills Programs. The Audit Council compared basic skills inspection findings to the Assurances and found discrepancies in district compliance. In addition, a Department official stated that Assurances do not accurately represent districts' implementation of Basic Skills Programs.

Section 59-30-90 of the South Carolina Code of Laws states:

The Department of Education shall take necessary administrative action to monitor and evaluate the curriculum and instruction methods in each school district, including on-site visits to schools to insure compliance with the standards and purposes of BSAP.

Agency officials state that districts should be monitored at least every three years for basic skills. Additionally, the Department conducts inspections of Adult Education and Handicapped Programs on a three-year cycle.

According to SDE staff, the decline in BSAP inspections and lack of follow-up has resulted from the Department's responsibility to monitor compensatory and remedial programs. However, the Audit Council's review of basic

skills monitoring revealed that district inspections began to decline prior to implementation of compensatory and remedial programs. A review of staffing in the Basic Skills Section found that five of the eight employees assigned to monitor and/or evaluate Basic Skills Programs also serve as trainers of Programs for Effective Teaching (PET). PET, initiated in December 1983, is a program of the Department's Office of Leadership and School Improvement. The program seeks to enhance school instructional programs through district staff development.

The Chief Supervisor of the School Improvement Section estimated that staff from Basic Skills spent 60% of their time in FY 84-85 and, with additional staff from other sections, will spend 40% of their time in FY 85-86 on PET training. The Audit Council reviewed the position questionnaires of the five PET trainers from the Basic Skills Section and found that PET training was not included as part of their job duties.

By not conducting follow-up or more frequent inspections for basic skills compliance, SDE cannot ensure that school districts are meeting the requirements of BSAP. Additionally, students who fail to meet minimum standards in the basic skills may not receive the appropriate instructional programming.

RECOMMENDATIONS

THE STATE DEPARTMENT OF EDUCATION SHOULD ELIMINATE THE "PROGRESSING TOWARD COMPLIANCE" RATING FROM THE BASIC SKILLS ASSESSMENT PROGRAM.

THE STATE DEPARTMENT OF EDUCATION SHOULD ANALYZE THE BASIC SKILLS MONITORING REPORTS TO DETERMINE COMMON CAUSES FOR DISTRICT NONCOMPLIANCE WITH THE PROGRAM AND MAKE RECOMMENDATIONS FOR APPROPRIATE ACTION.

THE STATE DEPARTMENT OF EDUCATION SHOULD ADOPT STANDARDS AND CRITERIA FOR ASSESSING SCHOOL DISTRICT COMPLIANCE WITH THE BASIC SKILLS ASSESSMENT ACT.

THE STATE SUPERINTENDENT OF EDUCATION SHOULD EXAMINE PRIORITIES OF THE BASIC SKILLS SECTION AND ENSURE THAT SCHOOL DISTRICTS ARE MONITORED FOR BASIC SKILLS COMPLIANCE IN A TIMELY MANNER.

Teacher Education Programs

The State Board of Education violated State regulation by not disapproving teacher education programs which did not

meet State standards at five South Carolina colleges.

In March and June 1985, the State Board of Education received the findings of two committees, composed of independent South Carolina education professionals and SDE staff, which evaluate South Carolina teacher education programs. The committees found that four private colleges and one state-supported college did not meet State standards for three-year or five-year approval of their teacher education programs. However, instead of disapproving the programs, the Board placed them on "probation" for one year. The "probation" rating, in effect, extends the programs' previous approvals. It does not impose a penalty other than requiring the programs to undergo another review during the probationary period.

State regulations do not establish procedures for placing a program on probation. Regulation 43-90 requires that teacher education programs in South Carolina colleges be approved by the State Board of Education if they are to be used for the certification of teachers. This regulation establishes three categories of action for the Board, including five-year (full) approval, three-year (provisional) approval, and denial of approval. Five-year approval requires the colleges' programs to fully meet nine specific standards and to substantially meet three standards. Programs meeting 50% of these standards may receive three-year approval (a maximum of twice in succession). In addition, Regulation 43-90 states:

...Any program not meeting the requirements as set forth for three-year (provisional) approval will be disapproved...

The Chairman of the State Board's Teacher Recruitment, Training, and Certification Committee stated that he believed the Board had the authority to place the colleges on probation. However, a public board does not have the authority to take actions which are contrary to State regulations.

There are several effects of the Board's not disapproving substandard teacher education programs. Since the penalty required by State regulations has not been imposed, there is less incentive for colleges to meet the standards in a timely manner. Also, the Board is giving the public the misleading message that these programs meet minimum State standards.

RECOMMENDATION

THE STATE BOARD OF EDUCATION SHOULD TAKE ONLY THOSE ACTIONS WHICH ARE SPECIFIED IN STATE REGULATIONS WHEN REVIEWING TEACHER EDUCATION PROGRAMS FOR STATE APPROVAL.

Temporary Certificates and Permits

Since 1978, a proviso in the Appropriation Act has allowed teachers with Temporary, Out-of-Field, and Emergency Certificates to be exempted from State regulations regarding

the renewal of such certificates. Teachers have been exempted from limits on the time these certificates may be held, from taking required college courses, and from achieving minimum scores on Teaching Area Examinations. The FY 85-86 Appropriation Act states:

...temporary or emergency certificates issued to teachers shall remain valid for the 1985-86 school year if the local board of education so requests...

The requirements for Temporary, Out-of-Field, and Emergency Certificates, according to State regulations, are as follows:

1. Temporary Certificates - These certificates are issued to individuals who have not fully met initial certification requirements. However, they must have an appropriate degree, six hours of education credits, a college recommendation, and a minimum Teaching Area Examination score. These are one-year certificates which may be renewed twice. Six hours of deficient credit must be obtained before another Temporary Certificate may be issued.
2. Out-of-Field Permits - These certificates are issued to individuals holding valid South Carolina teaching credentials in one teaching area, but who are assigned to teach in another area. They must, however, have a minimum number of education credits in the area they are assigned. These are one-year certificates which require six hours of needed credits to be obtained before another Out-of-Field Permit may be issued in the same area.
3. Emergency Permits - These certificates (discontinued in 1982) were issued to individuals who did not meet requirements for Temporary Certificates, but had at least 90 hours of college credit and one-half of the requirements in the area for which the permit was requested. These were one-year, non-renewable certificates.

A minority of approximately 40,000 teachers and other instructional-related staff in South Carolina has taken advantage of this proviso. A total of 391 individuals had

their certificates carried forward to the 1984-85 school year from the previous year as a result of the proviso. This was an increase from 366 individuals in the 1983-84 school year. The superintendent of one of the State's largest school districts took advantage of this proviso by holding a Temporary Certificate every year from 1979 until September 1985.

State regulations setting the requirements for teacher certification should be consistently and equally enforced. This proviso, which overrides State regulations, has resulted in unequal treatment of South Carolina teachers. Also, the public has less assurance that students are being taught by qualified personnel.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER NOT
RENEWING THE PROVISIO TO THE
APPROPRIATION ACT WHICH EXEMPTS TEACHERS
WITH TEMPORARY, OUT-OF-FIELD AND
EMERGENCY CERTIFICATES FROM COMPLYING
WITH STATE CERTIFICATION REGULATIONS.

Teacher Recruitment

Some school districts have difficulty in recruiting teachers, according to SDE and local district officials. These officials state that districts located in rural and low-income areas of the State have a lower quality and quantity of teachers to choose from when hiring.

The quality of teaching credentials varies widely among the State's 92 school districts. This variance can be shown by the distribution of "Graded" (B, C, and D) Certificates and "Warrant" Certificates. These renewable certificates, discontinued in the 1970's, were awarded to teachers who did not meet minimum State requirements for "Professional" Certificates, due to college course deficiencies or low scores on the National Teacher Examination.

Thirty-one districts have more than twice the State average percentage of teachers with these certificates. Thirty of these are in counties with per capita incomes below the State average. The district with the highest percentage of teachers with Graded and Warrant Certificates is Marion 3 (39%); the district with the lowest percent of such teachers is Lexington 1 (.4%). Thus, students in Marion 3 are 97 times more likely to be taught by teachers with substandard certificates than are students in Lexington 1.

The Houston (Texas) Independent School District started a stipend program in 1979 which gives extra pay to teachers who accept teaching positions in schools with teacher shortages and high turnover. Teachers working in selected schools receive annual stipends of \$2,000 in addition to their base salaries. Officials report a greater supply of teachers and less turnover after the program was implemented.

The South Carolina Education Improvement Act established a program for repaying student loans for

teachers who work in rural areas. However, no long-term incentive is provided for teachers to stay in these areas, nor has SDE conducted an analysis to determine whether low population density is the primary cause of teacher recruiting difficulties. Further, SDE officials have not documented which districts are having the greatest difficulty in recruiting teachers.

The quality of education received by students is dependent on the quality of their teachers. When the ability to recruit teachers varies widely across the State, the quality of education received by students may vary significantly depending on where they live.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER
REQUIRING THE STATE DEPARTMENT OF
EDUCATION TO CONDUCT A STUDY TO
DETERMINE THE FEASIBILITY OF PROVIDING
ADDITIONAL INCENTIVES TO TEACHERS WITH
PROFESSIONAL TEACHING CERTIFICATES, TO
WORK IN SCHOOL DISTRICTS WHICH CAN
DOCUMENT DIFFICULTY IN RECRUITING
QUALIFIED TEACHERS. THE INCENTIVES
STUDIED SHOULD INCLUDE ADDITIONAL PAY.

Vocational Education

The Council reviewed SDE's oversight of vocational education programs and found three problems which are discussed below.

Agriculture Job Placement

South Carolina school districts are not prohibited from training students in vocational agriculture programs that have limited job opportunities. However, State Law requires districts to maintain a 50% job placement rate for all other vocational education programs to ensure that the courses teach students marketable skills.

Section 59-53-1960 of the South Carolina Code of Laws states:

Commencing with 1987-88, to continue existing job preparatory programs, other than vocational agriculture, fifty percent of the graduates available for placement must be placed during the prior three years in the area for which training was provided. [Emphasis Added]

This law allows districts to continue vocational agriculture courses regardless of how low their placement rates are.

An SDE report states that 37% (58 of 155) of vocational agriculture courses had lower than a 50% placement rate in 1983-84. None of these agriculture courses will be required to be discontinued if the placement rate continues for three years. By contrast, 27% (313 of 1148) of non-agriculture vocational courses had lower than a 50% placement rate in 1983-84. All of these non-agriculture courses may be

required to be discontinued if the placement rate continues for three years.

By exempting agriculture courses from the placement rate requirement, there is inadequate assurance that the approximately \$3.5 million spent annually on these courses is producing graduates with marketable skills. By continuing to offer vocational education courses with lower placement rates, there are fewer funds available for courses with higher placement rates.

Placement Rate Methodology

SDE has not adequately communicated to school districts the methodology for calculating job placement rates of vocational education graduates. As a result, districts may not calculate job placement rates in a consistent manner.

Section 59-53-1960 requires school districts to report the placement rates of vocational education graduates each year. "Placement rate" has been defined by SDE as graduates placed in area trained divided by graduates available for placement. However, SDE has no written definition of "graduates placed in area trained" or "graduates available for placement." Definitions of these categories were given orally to the school districts.

Questions and errors by school districts have resulted from the lack of written guidelines. SDE officials stated the areas of confusion in calculating 1984 statistics included:

- How is placement status determined for vocational education graduates who enter the military or college?
- Are vocational education graduates who return to high school available for placement?
- Are handicapped vocational graduates available for placement?

Without written guidelines for answering these questions, it is difficult to hold districts accountable for their statistics.

Written guidelines increase the likelihood that statistics will be gathered consistently across the State each year. When statistics are not gathered consistently, their validity may be questionable. Courses which have similar placement rates may report different placement statistics because they use different methodologies.

Accuracy of Placement Statistics

SDE does not adequately review the accuracy of vocational education job placement statistics reported by school districts. As a result, inaccurate statistics can be reported with a low risk of detection.

Section 59-53-1960 requires each school district to annually report vocational education job placement rates to SDE. This section and State Regulation 43-233 require that courses with below 50% placement rates shall lose State and federal funds beginning with school year 1987-88. Since State law requires school districts to collect data which may be used to eliminate funding for some of their courses,

and thus the jobs of some instructors, there is a potential for conflict of interest.

SDE reviews each vocational education program every five years for compliance with State standards. In these reviews, officials examine documentation for job placement statistics maintained by the districts. However, SDE does not verify the accuracy of the districts' statistics by contacting graduates from whom the information is obtained. Therefore, if the statistics are inaccurate but documented in an acceptable manner, the inaccuracy may not be detected.

When an organization is responsible for reporting statistics which will affect its allocation of funds and personnel, the accuracy of these statistics should be verified.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER
REMOVING THE EXEMPTION OF VOCATIONAL
AGRICULTURE PROGRAMS FROM THE 50% JOB
PLACEMENT REQUIREMENT IMPOSED ON ALL
OTHER VOCATIONAL EDUCATION PROGRAMS BY
STATE LAW.

THE STATE DEPARTMENT OF EDUCATION SHOULD
DEVELOP WRITTEN GUIDELINES FOR SCHOOL
DISTRICTS TO USE WHEN CALCULATING
VOCATIONAL EDUCATION JOB PLACEMENT

RATES. THESE GUIDELINES SHOULD INCLUDE
DEFINITIONS FOR DETERMINING GRADUATES
AVAILABLE FOR PLACEMENT AND GRADUATES
PLACED IN AREA TRAINED.

THE STATE DEPARTMENT OF EDUCATION SHOULD
VERIFY VOCATIONAL JOB PLACEMENT
STATISTICS, REPORTED BY SCHOOL
DISTRICTS, BY PERIODICALLY CONTACTING A
SAMPLE OF THE GRADUATES FROM WHOM THE
STATISTICS ARE OBTAINED.

CHAPTER III

FINANCE

District Janitorial Services

South Carolina school districts are spending \$2.4 to \$2.7 million more than necessary by employing their own staff instead of contracting for janitorial services. A total of 15 (20%) of 75 school districts responding to an Audit Council survey contracted for some cleaning services, as of July 1985. According to the survey, seven districts in FY 83-84 and eight districts in FY 84-85 were able to save \$628,000 and \$735,000, respectively, by contracting. Savings per district in FY 83-84 ranged from \$4,000 to \$235,000 and in FY 84-85 from \$5,000 to \$262,000.

Three of five districts (Charleston, Orangeburg 5 and York 3) visited by the Audit Council contract for janitorial services. Orangeburg 5 contracts only for janitorial management. The cleaning staff has remained on the district's payroll. These three districts have reduced costs by contracting for janitorial services. Additionally, contracting in Charleston and Orangeburg 5 has improved cleaning service. York 3 experienced problems with school cleanliness. Consequently, in FY 85-86, the district awarded its janitorial contract to another vendor.

Contracting in South Carolina school districts was prompted by success in other areas. Public facilities,

government agencies and school districts in other states are contracting for janitorial services.

The State Department of Education has not compiled information on districts contracting for janitorial services. Nor has the Department made other districts aware of the savings realized from contracting. Agency officials stated that there are no plans to maintain information on districts' janitorial contracting.

By not contracting, school districts are spending more than necessary to clean facilities. Funds saved on cleaning services have been used for instructional programs in Charleston and Orangeburg 5. York 3 has used the savings to reduce the district's budget.

Savings for FY 83-84 and FY 84-85 represented 9% of the districts' janitorial budgets. Based upon the average savings of districts contracting for janitorial services, the Audit Council estimates potential savings in the 60 districts not contracting to range from \$2.4 to \$2.7 million annually. Since this estimate includes only the districts responding to the Audit Council survey, potential savings from contracting may be even greater.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD
MAINTAIN INFORMATION ON DISTRICTS WHICH
CONTRACT FOR JANITORIAL SERVICES,
INCLUDING THE NAME OF THE CONTRACTING

DISTRICT; THE DISTRICT'S CONTACT PERSON;
SAVINGS REALIZED FROM CONTRACTING, IF
APPLICABLE; SERVICE SATISFACTION; AND
THE NAME OF THE CONTRACTING COMPANY.
ALSO, THE DEPARTMENT SHOULD MAKE THIS
INFORMATION AVAILABLE TO ALL DISTRICTS
TO ASSIST THEM IN STUDYING THE
FEASIBILITY OF CONTRACTING FOR
JANITORIAL SERVICES.

Minimum Teachers' Salary Schedule

In FY 83-84, the minimum teachers' salary schedule was not increased after funds cut the previous year were restored to the Education Finance Act (EFA) appropriation. This had two effects: (1) school districts received \$5.9 million in State funds of which none was required to be used for teachers' salaries, and (2) teacher salaries increased by the Education Improvement Act were overfunded between \$1.8 and \$6.3 million.

Until FY 84-85, EFA required that the State minimum salary schedule be adjusted at the same percentage as the base student cost. The base student cost is the amount necessary to fund a minimum educational program for an elementary student (grades 4-8) and is a factor used in allocating State funds to school districts through EFA. The base student cost is adjusted each year by an inflation

factor and until FY 84-85, determined increases in the minimum salary schedule.

In June 1982, the Governor vetoed a line item in the Appropriation Act which reduced the EFA appropriation for FY 82-83 by \$5.9 million. This reduction was made by reducing the inflation factor in the minimum salary schedule from 7.1% to 6%, thus cutting teachers' salaries by \$5.9 million. However, the inflation factor for the base student cost remained at 7.1%.

The FY 83-84 EFA appropriation was calculated using the base student cost from FY 82-83, which had not been adjusted to reflect the \$5.9 million cut from the minimum salary schedule. In effect, the FY 83-84 appropriation restored the \$5.9 million reduction from FY 82-83. However, the FY 83-84 minimum salary schedule was not increased to reflect that the \$5.9 million was restored to EFA. As a result, the districts received \$5.9 million in State funds of which none was required to be used for teachers' salaries.

Because these funds were not replaced to the minimum salary schedule in FY 83-84, \$1.8 to \$6.3 million more was needed in FY 84-85 to bring teachers' salaries up to the southeastern average under the Education Improvement Act. Only a range of additional need could be calculated. This is because, in the past, local salary supplements have not been tied to the inflationary adjustment in the minimum salary schedule. Therefore, it is not known how much local

support districts would have provided if the \$5.9 million in State funds had been utilized by them for teachers' salaries.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER
AUTHORIZING THE STATE DEPARTMENT OF
EDUCATION TO ADJUST THE FUNDING OF THE
MINIMUM TEACHERS' SALARY SCHEDULE TO
ACCOUNT FOR FUNDS RESTORED TO THE
EDUCATION FINANCE ACT APPROPRIATION IN
FY 83-84.

Fringe Benefits Accounting Controls

Proper accounting controls have not been provided for the funds appropriated for school district employees' fringe benefits. The lack of controls has allowed some districts to overexpend their annual fringe benefits allocation. As a result, fringe benefits expenditures in FY 82-83 exceeded the appropriation by approximately \$1 million, and the State lost approximately \$158,000 in interest revenue in FY 83-84.

A proviso in the FY 82-83 Appropriation Act requires SDE to develop and implement an internal system of allocating and accounting for the appropriation for school district employees' fringe benefits. Prior to FY 82-83, the appropriation was allocated to the county treasurers before it was needed by the districts, and the districts earned the

interest from these idle State funds. To maximize State revenues, the Budget and Control Board required that a new system for disbursing these funds be developed in FY 82-83 and implemented through a cooperative effort between SDE and other State agencies involved in administering the funds.

The new system, utilizing bank drafts, requires that State funds remain in the State Treasurer's Office "fringe benefits account" until payments are due. The school districts remit the bank drafts to either the State Retirement System or the Division of Human Resources Management, which process payments for retirement, social security, and health insurance benefits. The State Treasurer's Office reports monthly each district's withdrawals from the fringe benefits account, but the report does not reach SDE until approximately four to six weeks after the transactions have occurred. Because SDE does not review or approve the withdrawals before they occur, the agency cannot detect whether a district has exceeded its allocation until after it has happened.

This lack of control resulted in 36 of 122 educational units (including school districts, county boards and vocational centers) exceeding their annual fringe benefits allocation in FY 82-83. The overdrafts totaled \$1.8 million, while unexpended allocations of other districts totaled approximately \$800,000. Therefore, districts overspent the \$129 million State appropriation by approximately \$1 million.

The overdrafts by the districts represent an unauthorized use of State funds. A proviso in the FY 82-83 Appropriation Act mandates that the amount appropriated for school district employees' fringe benefits be the maximum amount provided by the State for these purposes. Once a district has expended its annual fringe benefits allocation, it must use local funds for any additional expenditures.

When a district overdrafts its fringe benefits allocation, SDE reduces the following year's allocation by the amount of the previous year's overdraft. Therefore, the State does not recoup the overdraft until the following year when the district again depletes its State allocation and must begin using local funds to cover this expense. Because of this, the State loses interest on the overdrafted amount. In FY 83-84, approximately \$158,000 in interest was lost by the State as a result of the overdrafts which occurred the previous year.

SDE's attempt to penalize the districts by reducing their current year's allocation by the amount of the previous year's overdraft has had little effect on the districts. Seventeen of 36 educational units which overdrafted their FY 82-83 allocations also overdrafted in FY 83-84. SDE took action in February 1985 to discourage overdrafting by districts. A memo, dated February 15, 1985, notified each school district that any district which overdraws its annual allocation will be required to refund the overdrawn amount within ten working days. If the refund

is not received within this time, all State funds for the district will be withheld until payment is received.

RECOMMENDATIONS

THE INTERNAL AUDITOR OF THE STATE
DEPARTMENT OF EDUCATION SHOULD MONITOR
THE RESULTS OF THE DEPARTMENT'S EFFORTS
TO DISCOURAGE OVERDRAFTING BY DISTRICTS
OF THEIR FRINGE BENEFITS ALLOCATIONS.

IF THE STATE DEPARTMENT OF EDUCATION'S
EFFORTS TO DISCOURAGE OVERDRAFTING ARE
NOT SUCCESSFUL, THE GENERAL ASSEMBLY
SHOULD CONSIDER GIVING THE DEPARTMENT
AUTHORITY TO ENACT OTHER PENALTIES FOR
DISTRICTS WHICH OVERDRAFT THEIR FRINGE
BENEFITS ALLOCATIONS.

Allocation of School District Employees' Fringe Benefits

The appropriation for school district employees' fringe benefits is not allocated to all districts based on need. Some districts are given funds based on the amount they spent the previous year on fringe benefits. This has resulted in funding inequities among districts in allocating the fringe benefits appropriation.

The Committee to Study State Educational Systems developed a formula, to be implemented by SDE, which

allocates the fringe benefits appropriation each year to 122 educational units (including school districts, county boards and area vocational centers). Allocations to the 92 school districts are based on the greater of the district's allocation base or its prior year's expenditures for fringe benefits. The district allocation base distributes the appropriation in proportion to each district's need, as determined by its index of taxpaying ability and number of weighted pupil units (WPU's). However, this allocation method can be overridden by a special provision which allows allocations to be based on the total prior year's State and local expenditures for fringe benefits. Allocations to the county boards and area vocational centers are also based on the total prior year's expenditures, because WPU's and taxpaying ability are not applicable.

Section 59-20-30(3) of the South Carolina Code of Laws states that the intent of the Education Finance Act (EFA) is to distribute State education funds on the basis of each district's need. The factors which determine a district's need are weighted pupil units and index of taxpaying ability. Since salaries are allocated through EFA and fringe benefits expenditures are proportional to salaries, funds for fringe benefits could be allocated similarly.

Because of the special provision, 67 of 92 school districts were allocated funds based on their prior year's fringe benefits expenditures. These districts were compared to others which received allocations based on need. The

analysis showed that, when comparing districts with similar needs, the district receiving an allocation based on the prior year's expenditures received a larger allocation than the district whose allocation was based on need. For example, in FY 84-85 Edgefield's need was 2% greater than that of Spartanburg 3, but Spartanburg 3 received 24% more for fringe benefits (see Table 4).

TABLE 4
EXAMPLES OF DISTRICTS WITH SIMILAR NEEDS
RECEIVING UNEQUAL ALLOCATIONS FOR FRINGE BENEFITS
FY 84-85

	<u>Allocation Basis</u>	<u>Needs Requirement^a</u>	<u>Difference</u>	<u>Allocation</u>	<u>Difference</u>
Edgefield	NEEDS ^a	\$ 4,213	2%	\$ 792,270	-
Spartanburg 3	PYE ^b	4,129	-	980,892	24%
Dorchester 2	NEEDS	12,451	.3%	2,341,069	-
Richland 2	PYE	12,410	-	2,882,876	23%
Chesterfield	NEEDS	9,430	5%	1,773,028	-
Spartanburg 6	PYE	8,986	-	1,951,833	10%

^aFigure represents each district's funding need as determined by its weighted pupil units and index of taxpaying ability.

^bPrior year's expenditures.

Source: Legislative Audit Council, based on information provided by the State Department of Education.

Since the special provision results in inequities in the allocations among the districts, a more equitable method would allocate the fringe benefits appropriation based only on each district's need. By such a method, each of the 92 school districts would receive an allocation in proportion to its weighted pupil units and inversely proportional to

its index of taxpaying ability, as salaries are allocated through EFA. To determine the allocations for the remaining 30 county boards and area vocational centers, the previous year's allocation could be increased by the inflationary increase in the statewide appropriation.

The Audit Council compared the effects of the current method of allocating funds for fringe benefits with the alternative method discussed above. The results indicate a more equitable distribution of funds with the alternative method. A total of 28 educational units would lose approximately \$5.3 million in FY 84-85 in reallocating funds among the remaining 94 units. Approximately 80% of the total reallocation would come from five school districts. To ease the initial effect of the alternative allocation method on these districts, a three-year, phase-in period could be implemented. (For the effect of the alternative method on each educational unit, see Appendix A).

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD
TAKE ACTION TO ELIMINATE THE SPECIAL
PROVISION OF THE FRINGE BENEFITS FORMULA
SO THAT THE ALLOCATION TO EACH SCHOOL
DISTRICT IS PROPORTIONAL TO ITS NUMBER
OF WEIGHTED PUPIL UNITS AND INVERSELY
PROPORTIONAL TO ITS INDEX OF TAXPAYING
ABILITY. THE ALLOCATIONS TO THE COUNTY

BOARDS AND AREA VOCATIONAL CENTERS SHOULD BE CALCULATED USING THE PREVIOUS YEAR'S ALLOCATION, INCREASED BY THE INFLATIONARY INCREASE IN THE STATEWIDE APPROPRIATION. A THREE-YEAR, PHASE-IN PERIOD SHOULD BE IMPLEMENTED TO EASE THE INITIAL EFFECT ON SOME DISTRICTS.

Funding for Vocational Education Facilities

The State Department of Education has not obtained information necessary to determine if school districts have adequately planned for the construction of vocational education facilities. As a result, SDE may be recommending State funding assistance for some facilities which are not needed by districts.

The 1984 update of SDE's five-year financing plan for vocational education facilities included recommendations to fund 56 vocational education construction projects with State capital improvement bond funds totaling approximately \$23 million. However, SDE did not receive an overall facility development plan or a financing plan from any of the districts recommended for funding. The type and amount of information that was submitted by districts, such as needs assessments, varied considerably.

A proviso in the 1981 Bond Act requires SDE to formulate a five-year financing plan for vocational education facilities from information submitted by the

districts. District information must include an overall facility development plan, including how each vocational facility relates to the plan, and a financing plan to identify the district's ability to fund the project(s) locally.

SDE has not required districts to submit planning information for use in preparing its five-year plan as required by the 1981 Bond Act. Further, SDE has not developed guidelines for districts to use in preparing vocational education facility plans to meet the requirements of the Bond Act. As a result, the Department has not ensured that projects recommended for funding were adequately planned and needed by the districts.

RECOMMENDATIONS

THE STATE DEPARTMENT OF EDUCATION SHOULD DEVELOP GUIDELINES FOR DISTRICTS TO USE IN PREPARING OVERALL FACILITY DEVELOPMENT PLANS AND FINANCING PLANS FOR VOCATIONAL EDUCATION FACILITIES TO MEET THE REQUIREMENTS OF THE 1981 BOND ACT.

THE STATE DEPARTMENT OF EDUCATION SHOULD NOT RECOMMEND FOR FUNDING ANY VOCATIONAL EDUCATION FACILITY IN A DISTRICT THAT HAS NOT SUBMITTED PLANNING INFORMATION AS REQUIRED BY THE 1981 BOND ACT.

CHAPTER IV
ADMINISTRATION

State Board of Education

Six of the 17 members on the State Board of Education are also employees of local school districts, creating a potential conflict of interest. They participate in decisions which affect their districts' financial well-being and the manner in which their districts are regulated by the State. The six members are from different districts and include two superintendents, two principals and two teachers.

These school district employees have voted on issues which directly affect their districts:

- School building funds were approved under the Education Improvement Act (EIA) for five of the districts.
- A waiver from a requirement that the property tax rate be reduced was granted to one of the districts which received EIA school building funds.
- State accreditation was granted to all six districts.
- Regulations were promulgated which set standards for SDE's intervention into the operation of "impaired" districts.

In 1985, North Carolina passed a law which prohibits school district employees from being appointed to its State Board of Education. Georgia law also disallows school district employees from serving on its State Board of Education. These laws reduce the potential for conflict of interest.

All South Carolina State Board members except one, who is appointed by the Governor, are elected by the legislative delegations in their judicial circuits. When school district employees serve on the Board, they may be inclined to act more in the interest of their own school districts than that of other districts in their judicial circuits.

Further, the Board approves SDE's budget each year before it is sent to the General Assembly. This authority could lessen the objectivity of SDE staff when evaluating programs in districts with employees on the Board.

RECOMMENDATION

THE GENERAL ASSEMBLY SHOULD CONSIDER
ACTION TO PROHIBIT SCHOOL DISTRICT
EMPLOYEES FROM SERVING ON THE STATE
BOARD OF EDUCATION.

Certification Renewal

The State Department of Education has an inefficient system for renewing teaching certificates. The current timetable for renewing teaching certificates has resulted in teachers (including other instructional staff) beginning the school year with expired certificates.

More than half of the teaching certificates which expired on June 30, 1985, had not been renewed by the start of the 1985-86 school year. Approximately 2,500 teachers began that school year with expired teaching certificates,

even though they had five years to renew them. In the prior year, 23 teachers worked the entire school year with expired certificates.

South Carolina teaching certificates expire every five years on June 30. To renew a certificate, teachers are required to have taken six hours of college courses or the equivalent. However, State regulations permit a teacher whose certificate has expired on June 30 to take course work until September 14 and to have the renewed certificate backdated to July 1. Therefore, teachers are allowed to begin the school year with expired certificates.

The current timetable for certificate renewal causes several problems. First, school districts hire some teachers with no assurance that they are properly certified as required by State law. Second, SDE's certification staff must process a peak load of renewals during late summer. For example, the monthly work load in August and September is more than 50% higher than during the rest of the year. A backlog of ten to 12 weeks during this peak further hinders school district efforts to ensure that their teachers are certified.

Requiring teachers to complete renewal requirements by the date their certificates expire (June 30) would allow SDE more time to process certification renewals before the start of school. It would also reduce unnecessary peak work loads for certification staff. As a result, the number of

teachers beginning the school year with expired certificates could be reduced.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD
PROMULGATE REGULATIONS WHICH REQUIRE
TEACHERS AND OTHER INSTRUCTIONAL STAFF
TO COMPLETE CERTIFICATE RENEWAL
REQUIREMENTS BY THE DATES THEIR
CERTIFICATES EXPIRE.

Certification Fees

The State Department of Education does not charge a fee to individuals applying for teaching certificates as permitted by State regulations. This is resulting in lost revenue of more than \$100,000 per year, based on the fees charged in North Carolina.

Fees for offsetting the cost of certifying teachers are used in other states in this region. Five of eight southeastern states charge a fee to individuals applying for initial teaching certificates. The five states and their fees are as follows:

Alabama	\$10
Florida	20
Louisiana	15 (in-state)
	25 (out-of-state)
North Carolina	20
Virginia	25

Some of these states also charge fees to individuals applying for certificate renewals and additional areas of certification.

Chapter 43 of South Carolina State Regulations permits SDE to charge a fee to individuals applying for initial teaching certificates, certificate renewals and additional areas of certification. However, SDE has not taken the initiative to charge fees for any certification action. If SDE had charged a fee equal to North Carolina's to the more than 5,000 applicants for initial certificates in FY 84-85, the State would have received more than \$100,000 in additional revenue.

RECOMMENDATION

TO PARTIALLY OFFSET THE COST OF
CERTIFYING TEACHERS, THE STATE
DEPARTMENT OF EDUCATION SHOULD CHARGE A
FEE TO INDIVIDUALS APPLYING FOR TEACHING
CERTIFICATES.

Selection of Subject Areas with Teacher Shortages

The State Board of Education has not established criteria for selecting subject areas with critical teacher shortages for use in the Teacher Loan Program and the Conditional Teacher Certification Program. Neither the State Board nor the State Department of Education has developed review procedures to assess teacher shortages in

subject areas of certification.

The Teacher Loan Program and the Conditional Teacher Certification Program were mandated in 1984 by the Education Improvement Act. Under the Teacher Loan Program, qualified State residents may receive loans to attend college for the purpose of becoming certified teachers in subject areas which have critical teacher shortages. The Conditional Teacher Certification Program awards conditional teaching certificates to eligible persons who do not meet full certification requirements, provided they hold a bachelor's degree in a certification area where critical teacher shortages exist.

For 1984-85, SDE selected math and science as the subject areas in need of teachers by relying on 1982 studies of these areas. A Department official stated that the review was limited to math and science because there was not enough time to analyze all areas of certification. For determining the 1985-86 shortage areas, the staff used the same 1982 studies, vacancy surveys and other data. However, the Department still had not established criteria for selecting subject areas with critical teacher shortages or developed review procedures to assess the need for teachers in all areas of certification. Math and science were again the only subject areas selected. There were two other areas that staff believed were experiencing critical shortages, which were not included in the review process.

The 1984 Education Improvement Act requires the State Board of Education to define annually the areas of certification where critical shortages of teachers exist. Quantitative and qualitative criteria, defining critical shortage areas, and procedures for reviewing all areas of certification are necessary to ensure appropriate selection of the areas of critical need. The use of specific criteria and review procedures would assist the Board and the Department in detecting and planning for future teacher shortages.

Without sufficient criteria and adequate review procedures, some subject areas with significant teacher shortages may not be designated for inclusion in the programs. This would preclude students studying in these areas from receiving loans under the Teacher Loan Program. In addition, it would prevent qualified individuals from receiving conditional certification under the Conditional Teacher Certification Program.

RECOMMENDATIONS

THE STATE BOARD OF EDUCATION SHOULD
ESTABLISH SPECIFIC CRITERIA FOR
DETERMINING SUBJECT AREAS WITH CRITICAL
TEACHER SHORTAGES.

THE STATE DEPARTMENT OF EDUCATION SHOULD
DEVELOP WRITTEN REVIEW PROCEDURES TO

ASSESS TEACHER SHORTAGES IN ALL AREAS OF
CERTIFICATION.

Cost Control at Bus Maintenance Shops

The State Department of Education has an inadequate system for encouraging the efficient operation of its 44 bus maintenance shops, which had an operating budget exceeding \$40 million in FY 84-85. Cost standards have not been developed and budget management procedures need improvement.

Cost standards have not been developed for maintaining and operating school buses, even though costs vary widely across the 44 bus shops. For example, in the first six months of FY 84-85, the Department used \$1.5 million in inventory (including parts, tires and batteries) for bus maintenance. The cost per mile for these items was 8.6 cents in the Latta and Spartanburg shops, almost triple the cost of 2.9 cents in the Brunson shop.

Further, budgets are not used effectively in managing the bus maintenance shops. Maintenance shop budgets were developed in FY 84-85 based on the prior year's expenditures, without analyzing the bus shops' needs. In addition, supervisors are not required to obtain approval before exceeding their budgets. The Director of SDE's Office of Transportation confirmed that the budgets are not intended to be used as expenditure controls.

Department officials state that controlling costs through cost standards and budgets is difficult due to the

different factors affecting the 44 bus shops. These factors include variance in bus ages (see p. 69), vandalism/driver abuse (see p. 71), and driving terrain. However, the degree to which these factors affect costs can be measured approximately and accounted for in a system for encouraging cost control.

Cost standards give managers specific efficiency goals to meet while, at the same time, permit a more objective method to be used in establishing a budget. A budgetary system which requires a manager to justify and obtain approval before exceeding a budget provides an increased incentive to operate efficiently. When a cost standard or budget is exceeded, a manager should be able to document the reason(s).

Without an effective system of cost standards and budgets, bus shop managers may not have adequate incentive to maximize efficiency in operating and maintaining the State's school buses. Further, upper-level management does not have adequate information for comparing the efficiency of bus shops.

RECOMMENDATIONS

THE STATE DEPARTMENT OF EDUCATION SHOULD
DEVELOP COST STANDARDS FOR THE OPERATION
AND MAINTENANCE OF SCHOOL BUSES. THESE
STANDARDS SHOULD BE USED TO PREPARE BUS

SHOP BUDGETS AND TO EVALUATE THE
PERFORMANCE OF BUS SHOP SUPERVISORS.

THE STATE DEPARTMENT OF EDUCATION SHOULD
REQUIRE BUS SHOP SUPERVISORS TO OBTAIN
WRITTEN APPROVAL BEFORE EXCEEDING THEIR
BUDGETS.

Allocation of School Buses

The State Department of Education has an inadequate system of allocating school buses to the 44 bus districts across the State. Analysis of SDE's full-size school buses showed an unequal distribution of bus ages and spare buses.

The average bus age of the Aiken, Blackville, Converse, Lower Richland and Spartanburg bus districts together is 6.9 years, with 8.5% of their buses 12 years or older. By contrast, the Chester, Lancaster, Newberry, Oconee and Taylors districts together have an average bus age of 8.4 years with 24.5% of their buses 12 years or older. The average age ranges from 6.1 years in the Spartanburg district, with 2.4% 12 years or older, to 8.7 years in the Newberry district, with 24.5% 12 years or older.

Spare school buses are also distributed unequally. The Berkeley, Charleston, Colleton, Darlington and Lancaster bus districts together have an average of one spare bus for each 14.3 regular route buses. By contrast, the Abbeville, Calhoun, Clarendon, Greenville and Lower Richland districts

together have an average of one spare bus for each 7.2 regular route buses. The ratio of route buses to spare buses ranges from 16.9 to 1 in the Lancaster district to 5.4 to 1 in the Abbeville district.

SDE has an inadequate system of allocating school buses, in part, due to inaccurate bus inventory records. Agency transportation officials state that until 1984, bus inventory records were unreliable for use as a management tool in the allocation of school buses. Also, SDE does not have a written policy for determining the optimal number of spare buses for a bus district.

Maintenance costs increase, on average, with the age of the bus fleet. Therefore, to ensure that the amount of resources required to maintain a given number of buses in any district is approximately equal, the age distribution of buses across the State should be approximately equal. It becomes more difficult for management to compare the efficiency and quality of local bus maintenance shops when their fleets are of different ages.

Inventory costs for a bus district will be higher when it has more spare buses than is optimal. Reliability of transportation services will be reduced when a bus district has less spare buses than is optimal.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD
ALLOCATE SCHOOL BUSES SO THAT THE AGE

DISTRIBUTION IS APPROXIMATELY EQUAL
ACROSS THE STATE. THE DEPARTMENT SHOULD
ALSO ADOPT AND FOLLOW A WRITTEN POLICY
WHICH SPECIFIES CRITERIA FOR ALLOCATING
SPARE SCHOOL BUSES.

Vandalism and Abuse of School Buses

The State Department of Education does not require school districts to reimburse the State for damages to school buses resulting from abuse by bus drivers and vandalism (except when damages occur on extracurricular trips). Total damages in FY 83-84 were \$234,488, of which school districts reimbursed the State \$25,546 on a voluntary basis.

SDE permits school districts to use state-owned school buses, at no charge, to transport students to and from school. During the school year, the buses remain in the custody of school districts except when repairs and maintenance are conducted at SDE bus shops. The school districts are responsible for hiring and supervising the bus drivers and for disciplining students who ride the buses.

Controlling vandalism and abuse to school buses would be more effective if local school administrators were held accountable for damages. School administrators are in a better position than State officials to monitor and limit these damages.

By not requiring school districts to reimburse the State for damages to buses from vandalism and abuse, SDE has not given local school administrators adequate incentive to minimize vandalism and abuse. As a result, the State incurred \$208,942 in damages in FY 83-84.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD CONTRACTUALLY REQUIRE SCHOOL DISTRICTS TO REIMBURSE THE STATE FOR ALL DAMAGES TO BUSES FROM VANDALISM AND ABUSE WHICH OCCUR WHILE THEY ARE BEING USED BY THE DISTRICTS.

Extracurricular Use of School Buses

The State Department of Education does not charge school districts the full cost for extracurricular and summer school use of state-owned school buses. Because SDE did not charge full cost in FY 82-83 and FY 83-84, the State lost \$118,740 in revenue.

In FY 82-83, school districts were charged 60 cents per mile for driving state-owned buses approximately 948,800 miles for extracurricular and summer school activities. SDE records show the actual cost was 66.7 cents per mile, resulting in \$63,570 in unrecovered costs. In FY 83-84, the districts were charged 60 cents per mile for approximately

862,000 miles when the actual cost was 66.4 cents per mile. This resulted in \$55,170 in unrecovered costs.

State regulations require that school districts pay the cost for extracurricular and summer school use of school buses. State Regulation 43-80 states:

...The State Department of Education may approve the use of state-owned buses for certain summer programs actually conducted by the local schools. The cost of such transportation shall be paid by the local school districts...

State Regulation 43-81 states:

...When state-owned buses are used by the schools for educational purposes other than transporting pupils to and from school, the cost of operation shall be borne by the school district using them...

SDE has lost revenue from school districts because the staff has not regularly updated mileage charges.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD FOLLOW STATE REGULATIONS AND ENSURE THAT SCHOOL DISTRICTS ARE CHARGED THE FULL COST OF USING STATE-OWNED SCHOOL BUSES FOR EXTRACURRICULAR AND SUMMER SCHOOL ACTIVITIES. THESE CHARGES SHOULD BE UPDATED ON AN ANNUAL BASIS.

Sale of Surplus School Buses

The State Department of Education and the General Services Division of the Budget and Control Board have not analyzed the potential for increased revenues from selling surplus (worn-out) school buses through public auction. As a result, the State may be losing revenue.

South Carolina Regulation 19-445-2150 gives State agencies the option of selling surplus property through competitive sealed bidding or public auction. Currently, General Services sells surplus school buses for SDE through competitive sealed bidding. Buses for which "reasonable" bids are not received are sold through negotiation. In 1984, 207 buses were sold through the current system at an average price of \$509.

Since 1981, school districts, such as Cobb County, Georgia, Dade County, Florida and Broward County, Florida, have switched from selling buses through competitive sealed bidding to selling at public auctions. These districts report significantly greater revenues through public auction. For example, Cobb County Public School District reports that revenues per bus tripled from an average of \$500-\$600 to more than \$1,800. Also, the South Carolina Department of Highways and Public Transportation reports

After the Audit Council reviewed this area, SDE and the General Services Division conducted one pilot test auction of 13 buses in October 1985.

increased revenues on the sale of motor vehicles and road equipment since switching from competitive sealed bidding to public auction.

Until FY 84-85, revenues from the sale of surplus buses were returned to the General Fund. Thus, there was little incentive for SDE to maximize revenues. A proviso to the FY 84-85 Appropriation Act permitted SDE to retain these revenues, provided they are used to purchase additional school buses.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION AND
THE DIVISION OF GENERAL SERVICES SHOULD
DETERMINE IF THE STATE COULD INCREASE
REVENUES BY SELLING SURPLUS SCHOOL BUSES
THROUGH PUBLIC AUCTION RATHER THAN BY
COMPETITIVE SEALED BIDDING.

Contract to Rebind Used Textbooks

The State Department of Education is not awarding the contract to rebind used textbooks by competitive sealed bidding. As a result, SDE has not ensured it is paying a competitive price for bindery work and may be paying more than necessary.

SDE has had an agreement with the Department of Corrections to rebind used textbooks since 1958. During FY 83-84, SDE spent \$70,000 for rebinding textbooks.

Section 11-35-1520 of the South Carolina Code of Laws states that contracts amounting to \$2,500 or more shall be awarded by sealed competitive bidding, unless otherwise provided. It was not until approximately one year after the Department of Corrections announced a 22% increase in its bindery fees that SDE began to examine competitive bidding as a means for awarding this contract.

North Carolina awards its contract to rebind textbooks by sealed bids. Under the contract, North Carolina pays \$2.48 per book for rebinding, while SDE pays \$4.15, or 67% more. Based on North Carolina's contract terms, SDE might have saved \$54,000 in bindery fees from February 1984 through January 1985.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION SHOULD
USE COMPETITIVE SEALED BIDDING FOR
AWARDING THE CONTRACT TO REBIND USED
TEXTBOOKS.

Assistance to Minority Businesses

The State Department of Education has not complied with the South Carolina Consolidated Procurement Code requirements regarding assistance to minority businesses. SDE did not prepare a Minority Business Enterprise Utilization Plan (MBEUP) for FY 82-83 or FY 83-84. In

addition, the Department's report for the final quarter of FY 82-83 was not submitted.

The Office of Small and Minority Business Assistance (OSMBA) of the Governor's Office was established to assist State agencies in carrying out the intent of Article 21 of the South Carolina Procurement Code. Section 11-35-5240 of the South Carolina Code of Laws requires agencies to submit MBEUPs to OSMBA no later than July 30 annually and progress reports no later than ten days after the end of a fiscal quarter.

The Department's lack of compliance with the Procurement Code does not ensure that businesses owned and operated by minorities are afforded the opportunity to fully participate in the procurement process of the State. Failure to prepare and submit an annual plan prevents OSMBA from assessing an agency's efforts to solicit and acquire goods and/or services from minorities. Further, because MBEUPs have not been prepared, SDE has included misleading goals on progress reports for the last two quarters of FY 83-84 and the first quarter of FY 84-85. For each quarter, the agency's goal was determined by the amount purchased from minority businesses.

SDE has not taken the initiative necessary to comply with the Assistance to Minority Businesses statute. According to the Department's internal auditor, the agency was not aware of the requirement to prepare the MBEUP on a yearly basis. In addition, the procurement consultant of

the Office of Small and Minority Business Assistance stated that the Department's MBE liaison officer had not been placed at an appropriate level in the agency to provide for an effective program. In FY 85-86, the Department's newly created Office of Purchasing will assume responsibility for the MBEUP.

RECOMMENDATION

THE STATE DEPARTMENT OF EDUCATION'S MINORITY BUSINESS ENTERPRISE LIAISON OFFICER SHOULD REPORT DIRECTLY TO THE DEPUTY SUPERINTENDENT OF FINANCE AND OPERATIONS. THE DEPUTY SUPERINTENDENT SHOULD ENSURE THAT PLANS AND QUARTERLY REPORTS ARE SUBMITTED TO THE OFFICE OF SMALL AND MINORITY BUSINESS ASSISTANCE, AND MINORITY BUSINESSES ARE SOLICITED TO PARTICIPATE IN THE DEPARTMENT'S PROCUREMENT PROCESS.

The Administrators' Leadership Academy

The Audit Council found that the Administrators' Leadership Academy performs its responsibilities in an effective manner. The Academy's program and related services have assisted South Carolina school districts in training administrative personnel.

The Administrators' Leadership Academy, located within

SDE's Office of Leadership and School Improvement, conducts training programs which address the management needs of school superintendents, principals, vocational education directors, and other administrative staff. Between December 1981 and June 1985, the Academy presented 109 statewide or regional training programs with 5,404 participants. Approximately 5,200 (96%) of the Academy's participants evaluated the programs as either excellent or good.

The Education Improvement Act of 1984 requires formal assessments and apprenticeships for prospective school principals. The Assessment Center and Principal Apprenticeship Programs are administered by the Leadership Academy. The Assessment Center is accredited by the National Association of Secondary School Principals (NASSP). According to the Director of NASSP, the South Carolina Assessment Center is considered one of the best of 39 centers in the country. As of June 1985, the Center and Apprenticeship Programs had trained approximately 330 entry-level administrators. In FY 85-86, the Department plans to implement a Superintendent Internship Program to identify qualified candidates for district superintendencies.

The Business/Industry Liaison Program, implemented by the Leadership Academy, allows school administrators to attend corporate training programs. International Business Machines (IBM), Burlington Industries, and American

Telephone and Telegraph (AT&T) are among the firms participating in the Business Liaison Program. In FY 84-85, approximately 105 public school administrators participated in corporate training programs.

APPENDICES

APPENDIX A

COMPARISON OF THE CURRENT AND ALTERNATIVE METHODS
OF ALLOCATING FRINGE BENEFITS WITH/WITHOUT PHASE-IN

FY 84-85

School Districts, School Boards, and Vocational Centers	Fringe Allocation			Fringe Allocation			Percent Difference
	Fringe Allocation Current Method	Alternative Method w/out Phase-In	Difference	Percent Difference	Alternative Method with Phase-In	Difference	
Abbeville	\$1,023,154.27	\$1,013,433.78	(\$9,720.49)	-1.0%	\$1,019,914.11	(\$3,240.16)	-0.3%
Aiken	5,105,103.92	5,150,704.36	45,600.44	0.9%	5,120,304.07	15,200.15	0.3%
Allendale	565,783.58	591,908.36	26,124.78	4.6%	574,491.84	8,708.26	1.5%
Anderson County Board	15,587.07	16,623.46	1,036.39	6.6%	15,932.53	345.46	2.2%
Anderson District 1	1,290,171.65	1,421,056.62	130,884.97	10.1%	1,333,799.97	43,628.32	3.4%
Anderson District 2	825,726.50	904,914.60	79,188.11	9.6%	852,122.53	26,396.04	3.2%
Anderson District 3	542,825.22	597,893.60	55,068.38	10.1%	561,181.35	18,356.13	3.4%
Anderson District 4	563,392.52	620,547.40	57,154.88	10.1%	582,444.14	19,051.63	3.4%
Anderson District 5	2,661,472.59	2,719,801.73	58,329.14	2.2%	2,680,915.64	19,443.05	0.7%
Anderson Voc. Center 1,2	88,331.37	88,825.79	494.42	0.6%	88,496.18	164.81	0.2%
Bamberg County Board	9,085.69	7,894.44	(1,191.24)	-13.1%	8,688.61	(397.08)	-4.4%
Bamberg District 1	456,391.98	502,691.90	46,299.92	10.1%	471,825.29	15,433.31	3.4%
Bamberg District 2	406,619.18	432,729.30	26,110.12	6.4%	415,322.56	8,703.37	2.1%
Barnwell County Board	5,964.54	5,924.81	(39.73)	-0.7%	5,951.30	(13.24)	-0.2%
Barnwell District 19	281,094.54	303,236.24	22,141.70	7.9%	288,475.10	7,380.57	2.6%
Barnwell District 29	255,123.28	260,149.75	5,026.46	2.0%	256,798.77	1,675.49	0.7%
Barnwell District 45	546,622.46	585,499.42	38,876.96	7.1%	559,581.45	12,958.99	2.4%
Barnwell Voc. Center	45,818.52	48,865.01	3,046.49	6.6%	46,834.02	1,015.50	2.2%
Beaufort County Schools	2,551,537.96	2,313,916.05	(237,621.91)	-9.3%	2,472,330.66	(79,207.30)	-3.1%
Beaufort-Jasper Voc. Cntr	97,482.89	93,188.54	(4,294.35)	-4.4%	96,051.44	(1,431.45)	-1.5%
Berkeley County Schools	5,099,348.31	5,485,305.88	385,957.58	7.6%	5,228,000.83	128,652.53	2.5%
Calhoun County Schools	13,195.64	14,073.03	877.38	6.6%	13,488.10	292.46	2.2%
Calhoun Cty. School Dist.	537,803.05	511,531.66	(26,271.40)	-4.9%	529,045.92	(8,757.13)	-1.6%
Charleston County Schools	10,257,853.78	9,375,827.68	(882,026.09)	-8.6%	9,963,846.41	(294,007.36)	-2.9%
Cherokee County Schools	2,278,444.12	2,193,744.68	(84,699.44)	-3.7%	2,250,210.97	(28,233.15)	-1.2%
Chester County Schools	1,564,030.27	1,659,595.62	95,565.35	6.1%	1,595,885.39	31,855.12	2.0%
Chesterfield Cty. Schools	1,772,985.39	1,952,850.71	179,865.32	10.1%	1,832,940.50	59,955.11	3.4%
Clarendon County Board	3,499.88	3,732.58	232.71	6.6%	3,577.45	77.57	2.2%
Clarendon District 1	345,967.01	374,110.15	28,143.14	8.1%	355,348.06	9,381.05	2.7%
Clarendon District 2	697,614.19	768,385.55	70,771.37	10.1%	721,204.64	23,590.46	3.4%
Clarendon District 3	270,105.50	297,507.08	27,401.59	10.1%	279,239.36	9,133.86	3.4%
Clarendon Cty Voc. Center	38,852.66	41,435.98	2,583.33	6.6%	39,713.77	861.11	2.2%
Colleton County Schools	1,489,081.91	1,584,423.37	95,341.46	6.4%	1,520,862.40	31,780.49	2.1%
Darlington County Schools	3,200,419.64	3,193,283.39	(7,136.25)	-0.2%	3,198,040.89	(2,378.75)	-0.1%
Dillon County Board	17,188.43	17,210.45	22.02	0.1%	17,195.77	7.34	.0%
Dillon District 1	235,750.72	259,667.10	23,916.37	10.1%	243,722.85	7,972.12	3.4%
Dillon District 2	1,034,990.18	1,139,987.58	104,997.39	10.1%	1,049,989.32	34,999.13	3.4%
Dillon District 3	386,626.62	425,849.01	39,222.39	10.1%	399,700.75	10,074.13	3.4%
Dillon Voc. Center	47,253.89	46,903.84	(350.05)	-0.7%	47,137.21	(116.68)	-0.2%
Dorchester County Schools	5,606.59	5,979.38	372.78	6.6%	5,730.85	124.26	2.2%
Dorchester District 1	354,894.03	382,658.13	27,764.10	7.8%	364,142.06	9,248.03	2.6%
Dorchester District 2	2,340,925.12	2,578,406.63	237,481.51	10.1%	2,420,085.62	79,160.50	3.4%
Dorchester District 3	279,386.11	280,771.64	1,385.52	0.5%	279,847.95	461.84	0.2%
Dorchester Voc. Center	58,160.26	62,027.35	3,867.09	6.6%	59,449.29	1,289.03	2.2%
Edgefield County Schools	792,256.91	872,629.57	80,372.66	10.1%	819,047.80	26,790.89	3.4%
Fairfield County Schools	1,174,275.38	1,079,260.35	(95,015.03)	-8.1%	1,142,603.71	(31,671.68)	-2.7%
Florence District 1	3,188,790.68	3,461,638.28	272,847.61	8.6%	3,279,739.88	90,949.20	2.9%
Florence District 2	319,352.72	344,078.03	24,725.31	7.7%	327,594.49	8,241.77	2.6%
Florence District 3	1,020,448.58	1,083,081.94	62,633.36	6.1%	1,041,326.37	20,877.79	2.0%
Florence District 4	333,045.63	354,305.91	21,260.28	6.4%	340,132.39	7,086.76	2.1%
Florence District 5	287,366.83	316,519.54	29,152.71	10.1%	297,084.40	9,717.57	3.4%
Georgetown County Board	2,333,033.60	2,419,641.89	86,608.30	3.7%	2,361,903.03	28,869.43	1.2%
Greenville County Schools	12,305,964.20	11,502,067.61	(803,896.60)	-6.5%	12,037,998.67	(267,965.53)	-2.2%
Greenwood County Schools	8,751.47	8,797.53	46.06	0.5%	8,766.83	15.35	0.2%
Greenwood District 50	2,067,990.57	2,165,462.29	97,471.72	4.7%	2,100,481.14	32,490.57	1.6%
Greenwood District 51	292,540.99	299,156.34	6,615.35	2.3%	294,746.11	2,205.12	0.8%
Greenwood District 52	380,007.46	383,583.56	3,576.09	0.9%	381,199.49	1,192.03	0.3%
Greenwood Voc. Center	57,871.80	58,250.12	378.31	0.7%	57,997.91	126.10	0.2%
Hampton County Board	5,529.30	4,782.64	(746.66)	-13.5%	5,280.41	(248.89)	-4.5%
Hampton District 1	574,823.13	627,921.56	53,098.43	9.2%	592,522.61	17,699.48	3.1%
Hampton District 2	339,960.04	370,349.92	30,389.89	8.9%	350,090.00	10,129.96	3.0%

APPENDIX A (CONTINUED)

School Districts, School Boards, and Vocational Centers	Fringe Allocation		Difference	Fringe Allocation		Difference	Percent Difference
	Fringe Allocation Current Method	Alternative Method w/out Phase-In		Percent Difference	Alternative Method with Phase-In		
Horry County Schools	\$4,730,845.41	\$4,948,535.49	\$217,690.09	4.6%	\$4,803,408.77	\$72,563.36	1.5%
Jasper County Schools	657,501.06	702,062.73	44,561.67	6.8%	672,354.95	14,853.89	2.3%
Kershaw County Schools	1,959,021.77	2,103,715.20	144,693.43	7.4%	2,007,252.91	48,231.14	2.5%
Lancaster County Schools	2,622,672.65	2,749,276.85	126,604.20	4.8%	2,664,874.05	42,201.40	1.6%
Laurens County Schools	4,401.90	4,694.58	292.68	6.6%	4,499.46	97.56	2.2%
Laurens District 55	1,279,580.03	1,371,654.67	92,074.65	7.2%	1,310,271.58	30,691.55	2.4%
Laurens District 56	866,067.15	929,163.85	62,096.70	7.2%	886,766.05	20,698.90	2.4%
Lee County Schools	813,713.74	896,263.15	82,549.40	10.1%	841,230.21	27,516.47	3.4%
Lexington County Board	1,549.24	1,652.25	103.01	6.6%	1,583.58	34.34	2.2%
Lexington District 1	2,072,586.15	2,146,387.77	73,801.63	3.6%	2,097,186.69	24,600.54	1.2%
Lexington District 2	2,655,190.75	2,501,999.95	(153,190.81)	-5.8%	2,604,127.15	(51,063.60)	-1.9%
Lexington District 3	566,285.93	587,658.25	21,372.32	3.8%	573,410.04	7,124.11	1.3%
Lexington District 4	400,614.25	432,948.36	32,334.11	8.1%	411,392.29	10,778.04	2.7%
Lexington District 5	2,689,557.53	2,509,761.20	(179,796.33)	-6.7%	2,629,625.42	(59,932.11)	-2.2%
McCormick County Schools	404,340.96	445,360.42	41,019.47	10.1%	418,014.11	13,673.16	3.4%
Marion County Schools	22,664.50	22,692.58	28.08	0.1%	22,673.86	9.36	.0%
Marion District 1	764,113.48	841,631.05	77,517.57	10.1%	789,952.67	25,839.19	3.4%
Marion District 2	618,351.53	681,081.88	62,730.35	10.1%	639,261.64	20,910.12	3.4%
Marion District 3	188,395.28	185,454.62	(2,940.66)	-1.6%	187,415.06	(980.22)	-0.5%
Marion District 4	132,737.13	137,455.74	4,718.61	3.6%	134,310.00	1,572.87	1.2%
Marion Voc. Center	102,911.41	107,584.85	4,673.44	4.5%	104,469.23	1,557.81	1.5%
Marlboro County Schools	1,521,115.83	1,675,429.55	154,313.73	10.1%	1,572,553.74	51,437.91	3.4%
Newberry County Schools	1,377,421.47	1,517,157.74	139,736.26	10.1%	1,424,000.23	46,578.75	3.4%
Oconee County Schools	2,441,373.33	2,421,234.63	(20,138.71)	-0.8%	2,434,660.43	(6,712.90)	-0.3%
Orangeburg County Board	16,279.76	17,362.20	1,082.45	6.6%	16,640.57	360.82	2.2%
Orangeburg District 1	286,262.10	315,302.73	29,040.64	10.1%	295,942.31	9,680.21	3.4%
Orangeburg District 2	224,458.91	210,651.44	(13,807.47)	-6.2%	219,856.42	(4,602.49)	-2.1%
Orangeburg District 3	793,018.93	794,792.56	1,773.63	0.2%	793,610.14	591.21	0.1%
Orangeburg District 4	397,785.48	410,946.38	13,160.90	3.3%	402,172.44	4,386.97	1.1%
Orangeburg District 5	1,613,382.83	1,531,785.44	(81,597.39)	-5.1%	1,586,183.70	(27,199.13)	-1.7%
Orangeburg District 6	229,125.91	242,282.14	13,156.22	5.7%	233,511.32	4,385.41	1.9%
Orangeburg District 7	203,648.89	224,308.61	20,659.72	10.1%	210,535.47	6,886.57	3.4%
Orangeburg District 8	131,143.92	137,437.87	6,293.95	4.8%	133,243.23	2,099.32	1.6%
Cope Voc. Center	32,055.62	32,617.54	561.92	1.8%	32,242.93	187.31	0.6%
Calhoun-Orange Voc. Cntr.	107,638.27	107,744.21	105.94	0.1%	107,673.58	35.31	.0%
Pickens County Board	30,432.18	32,435.62	2,023.44	6.6%	31,106.66	674.48	2.2%
Pickens School District	3,147,647.80	3,352,736.15	205,088.36	6.5%	3,216,010.58	68,362.79	2.2%
Richland District 1	8,223,233.14	8,598,851.44	(1,624,381.70)	-19.8%	7,681,772.57	(541,460.57)	-6.6%
Richland District 2	2,882,859.99	2,569,962.87	(312,897.11)	-10.9%	2,778,560.95	(104,299.04)	-3.6%
Saluda Cty. School Dist.	548,739.03	604,407.35	55,668.32	10.1%	567,295.13	18,556.11	3.4%
Spartanburg County Board	38,976.76	37,722.29	(1,254.47)	-3.2%	38,558.61	(418.16)	-1.1%
Spartanburg District 1	955,886.44	958,971.08	3,084.63	0.3%	956,914.66	1,028.21	0.1%
Spartanburg District 2	1,462,618.83	1,570,208.68	107,589.85	7.4%	1,498,482.11	35,863.28	2.5%
Spartanburg District 3	980,886.55	855,044.93	(125,841.62)	-12.8%	938,939.34	(41,947.21)	-4.3%
Spartanburg District 4	587,757.42	631,850.40	44,092.97	7.5%	602,455.08	14,697.66	2.5%
Spartanburg District 5	933,944.51	1,030,893.95	94,949.43	10.1%	967,594.33	31,649.81	3.4%
Spartanburg District 6	1,951,822.30	1,660,934.36	(290,887.94)	-4.7%	1,921,526.32	(30,295.98)	-1.6%
Spartanburg District 7	3,232,589.94	2,689,848.00	(542,741.94)	-16.8%	3,051,675.96	(180,913.98)	-5.6%
Anderson Vocational Cntr.	102,348.28	109,153.45	6,805.17	6.6%	104,616.67	2,268.39	2.2%
Morgan Vocational Cntr.	78,511.19	83,472.97	4,961.78	6.3%	80,165.12	1,653.93	2.1%
Swafford Vocational Cntr.	64,668.98	59,946.68	(4,722.30)	-7.3%	63,094.88	(1,574.10)	-2.4%
Suater District 2	1,988,098.16	2,077,193.79	89,095.63	4.5%	2,017,796.71	29,698.54	1.5%
Suater District 17	1,968,562.64	2,168,268.83	199,706.19	10.1%	2,035,131.37	66,568.73	3.4%
Suater Voc. Center	65,070.02	61,797.24	(3,272.78)	-5.0%	63,779.10	(1,090.93)	-1.7%
Union County Schools	1,348,929.01	1,474,643.11	125,714.10	9.3%	1,390,833.71	41,904.70	3.1%
Williamsburg Cty. Schools	1,838,237.20	2,024,722.17	186,484.97	10.1%	1,900,398.86	62,161.66	3.4%
York District 1	956,577.46	913,073.38	(43,504.08)	-4.5%	942,076.77	(14,500.69)	-1.5%
York District 2	718,350.22	729,367.72	11,017.51	1.5%	722,022.72	3,672.50	0.5%
York District 3	2,918,987.87	2,959,336.73	40,348.86	1.4%	2,932,437.49	13,449.62	0.5%
York District 4	659,382.35	676,403.63	17,021.28	2.6%	665,056.11	5,673.76	0.9%
Rock Hill Career Center	81,682.46	84,497.61	2,815.16	3.4%	82,620.84	938.39	1.1%
TOTALS	\$145,845,900.15 ¹	\$145,847,435.65 ¹			\$145,846,411.98 ¹		

¹Differences are due to rounding the factors in the fringe benefit formula.

Source: Audit Council, based on information provided by the State Department of Education.

APPENDIX B
STATE DEPARTMENT OF EDUCATION
EMPLOYEE SURVEY

To assess employee opinions about supervision in the Department, the Audit Council administered a survey to all SDE employees in August 1984. Of 962 surveys mailed, employees returned 544 for a response rate of 57%. Positive attitudes were indicated by the percentage of employees who believed SDE policies are clearly communicated (74.3%), and the percentage who thought their performance is evaluated based on clearly defined criteria (69.1%). However, negative attitudes were indicated by the percentage of employees who believed there is a need for more teamwork (65%), and the percentage who thought promotions do not emphasize merit (44.1%). These are two areas that the Department may wish to examine further.

APPENDIX B (CONTINUED)

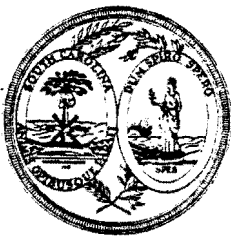
STATE DEPARTMENT OF EDUCATION SURVEY RESULTS

SECTION A

The following statements express a range of opinions you may have about your job and your agency. Please respond to each statement using the following codes, circling only one for each statement.

1 DEFINITELY AGREE		2 INCLINED TO AGREE		3 UNDECIDED		4 INCLINED TO DISAGREE		5 DEFINITELY DISAGREE		
% Responding ¹										
No Response	1	2	3	4	5					
0.2	58.3	28.5	4.8	5.5	2.8	1.	I like and enjoy my work here.			
0.7	39.9	34.4	7.4	10.1	7.5	2.	The policies, procedures, and organizational structure of this agency have been clearly set forth and explained to me.			
1.7	22.8	21.3	18.8	18.4	17.1	3.	The promotion practices of this agency do not emphasize merit.			
1.1	42.6	27.8	16.4	5.1	7.0	4.	I know where I stand in the eyes of my supervisor.			
1.3	37.1	27.9	8.3	15.6	9.7	5.	There is a need for more teamwork among the staff in this agency.			
0.7	33.6	24.8	8.5	14.0	18.4	6.	My supervisor encourages me to contribute suggestions and ideas for improving the way this agency operates.			
0.6	26.8	25.9	10.8	16.5	19.3	7.	My job gives me the opportunity to grow professionally.			
0.6	16.9	18.2	6.6	27.0	30.7	8.	I am not given the resources necessary to do my job.			
0.7	25.7	35.3	10.3	14.9	13.1	9.	When problems are identified which affect my job area, they are corrected within a reasonable period of time.			
1.3	38.4	30.7	11.9	9.0	8.6	10.	My performance is evaluated based on clearly defined goals and objectives.			
0.4	Yes	0.6	No	99.1		11.	Has anyone from your agency tried to influence your response to this survey?			
0	Yes	43.0	No	57.0		12.	Do you work with the Office of (School Bus) Transportation?			

¹ Figures may not add to 100% due to rounding.



Charlie G. Williams
State Superintendent of Education

APPENDIX C

STATE OF SOUTH CAROLINA

DEPARTMENT OF EDUCATION

COLUMBIA 29201

December 20, 1985

TO: George Schroeder, Director
Legislative Audit Council

FROM: Charlie G. Williams *C.G.W.*
State Superintendent of Education

SUBJECT: State Department of Education's Response to Legislative Audit Council Report

We commend the staff of the Legislative Audit Council for a very positive report. A number of observations and recommendations will be of assistance to the State Department of Education as we continuously refine our overall management system.

In our opinion, the limited number of findings included in your report indicates that minimum problems surfaced during your examination. This is especially significant considering the extensive resources required to administer an effective state education system.

In our comments to the Audit Council's Report, we have responded to recommendations based on the perception of the Council as to ways that the education process could be improved. In some instances, we have agreed with these perceptions; however, in others we have disagreed.

The following is our response to the Audit Council's recommendations and is based on the draft copy made available to us for review in the Council's conference room on November 15, 1985 and minor changes revealed to us on December 13, 1985. Any subsequent changes that may be made in the report as a result of our discussions with staff or that may be made as a result of our reply could not be addressed in this response and thereby should not be construed as concurrence.

REPORT SUMMARY

Legislative Audit Council Summary Statement:

Proper accounting controls for the funds appropriated for school district employees fringe benefits have not been provided. This cost the state approximately \$158,000 in interest revenues.

State Department of Education Response:

The issue is not a matter of inadequate accounting controls. The real issue is the operation of the draft system designed by the Office of State Treasurer. The State Department of Education is providing all accounting controls consistent with the draft system. In FY 1980-81, the State Department of Education implemented an allocation and accounting system for the Public School Employees Fringe Benefits program as mandated by the provisions included in the Department's proviso section of the Appropriations Act. The funds were allocated on the basis of a formula developed and approved by the Joint Legislative Committee to Study Educational Systems. After each district received its annual allocation, the funds were remitted in 12 monthly payments.

The State Treasurer's Office took exception to this payment system because the funds were not remaining in the state accounts to earn appropriate interest. The operation of a bank draft system was insisted upon by the State Treasurer's Office. This draft system has proven to be inefficient.

The bank drafts covering Health Insurance, FICA, and Retirement are submitted to the South Carolina Retirement System where they are processed to the State Treasurer for deposit. The State Department of Education receives a monthly printout from the State Treasurer reflecting the drafts submitted by each district. Even though tighter controls were initiated in February of 1985, a period of four to six weeks passes before the Department knows if a district has overdrawn its account. Only then can the Department of Education take corrective action. As you review the information above, we believe you will conclude that this is a complicated system and that proper accounting controls have been provided to the degree permitted by the draft system.

Legislative Audit Council Summary Statement:

The minimum teacher's salary schedule was not increased after funds cut from the schedule one year were restored to the Education Finance Act appropriation the next year. As a result, teachers' salaries increased by the Education Improvement Act were overfunded between \$1.8 million to \$6.3 million.

State Department of Education Response:

The conclusion drawn by the Legislative Audit Council is incorrect. The funds were not restored.

The minimum teacher's salary schedule, as mandated by the Governor's veto message (reduced inflation factor from 7.1% to 6%) and sustained by the General Assembly in 1982-83, was in fact the official salary schedule for FY 1982-83, and future increases, as mandated by the Education Finance Act (5.7% for 1983-84), were based on this official schedule. The fundamental issue in this concern is what portion of the teacher minimum salary schedule will be funded by the State's General Revenue Fund (Education Finance Act) and what portion will be funded by the special sales tax under the Education Improvement Act.

The Education Improvement Act of 1984 mandates that the average teacher's salary be equal to the Southeastern average and provides funds that are added to the funds for teachers' salaries from the General Fund (EFA) to reach this average. If the General Assembly determines that the General Fund (EFA) base should be increased and the state salary supplement (EIA) should be decreased in arriving at the Southeastern average salary for teachers, the Department of Education has no objection; however, any increase in the General Fund (EFA) will require additional matching funds at the local level.

Legislative Audit Council Summary Statement:

The State Department of Education has not complied with the Assistance to Minority Businesses Act. The Agency has not ensured that minorities are afforded the opportunity to fully participate in the State's procurement process.

State Department of Education Response:

This statement is incorrect. The Department of Education has complied with the Assistance to Minority Business Act and insures that minorities are afforded the opportunity to fully participate in the State's procurement process. At the beginning of FY 1981-82, the Department of Education filed a minority business plan to comply with the South Carolina Consolidated Procurement Code as well as Budget and Control Board regulations. The Department continued to utilize the FY '82 plan through FY '84 because: (1) we had not yet achieved the annual goals of the original plan; and (2) we were unable to capture bid information due to decentralization of the purchasing function. On July 1, 1984, the Department of Education formed the Office of Purchasing bringing about consolidation of the procurement of goods, solicitation of bids, and reporting of purchases into one office. As an outgrowth of this consolidation, the Department gained greater assurances that the requirements of the Assistance to Minority Business Act, as well as other state procurement laws and regulations, were being met. The Office of Purchasing in the State Department of Education has been soliciting participation of minority business enterprises in its procurement process since its inception. Minority Business

Enterprise plans for FY '84-85 and FY '85-86 have been filed in accordance with the guidelines set forth in the South Carolina Model Procurement code and all quarterly reports have been filed indicating State Department of Education purchases and expenditures to minority firms.

CHAPTER II STATE OVERSIGHT OF EDUCATION

DISTRICT CONSOLIDATION

Legislative Audit Council Recommendation:

The State Department of Education should conduct a comprehensive consolidation study, where conditions warrant, in counties with more than one school district and make recommendations within one year to the State Board of Education and the education committees of the General Assembly on desirable consolidation of school districts in the state. The study should include an assessment of the impediment to consolidation and identify action that could be taken such as the enactment of financial incentives, to promote consolidation of districts.

Based on the recommendation of the study, the General Assembly should consider enacting legislation to encourage district consolidation for providing increased operational efficiency for districts and improved educational programs for students.

State Department of Education Response:

If the General Assembly directs that a statewide consolidation feasibility study be conducted, adequate personnel and fiscal resources should be provided in order that such a study may be executed efficiently and effectively within a reasonable time frame.

ACCREDITATION OF SCHOOLS AND DISTRICTS

Legislative Audit Council Recommendation:

The State Board of Education should revise the Defined Minimum Program to provide standards which are more consistent with legislative, State Board, and local education goals. The State Board should consider the following criteria in revising the minimum educational standards:

1. In addition to defining the resources which should be available, standards should focus on student performance. Guidelines for setting performance standards should address the use of resources in meeting individual student needs.
2. Standards should incorporate the intent and directives of the Basic Skills Assessment Act and the Education Improvement Act. They should require the establishment of a structure in each school district for continually monitoring student performance, reporting results, and taking appropriate remedial action.
3. Standards should be expressed in terms which are clear and measurable.
4. Procedures for demonstrating compliance with standards should be simple and require a minimum of paperwork.

State Department of Education Response:

The State Department of Education agrees with the Legislative Audit Council that both the Defined Minimum Program and the accreditation system be revised. An Accreditation Task Force, consisting of 51 members chaired by Mr. Jeff Jeffcoat, has been formed to develop a new accreditation system which includes minimum quantitative factors, effective leadership and management, and performance outcomes to be introduced as a pilot program in selected school districts during the 1986-87 school year. Based upon evaluation of the pilot program, the new accreditation system is scheduled for full implementation beginning with the 1987-88 school year. A revised Defined Minimum Program will be a component of the new accreditation system. The development of the new accreditation system will include the directives of the Basic Skills Assessment Act and the Education Improvement Act.

Procedures for demonstrating compliance with standards will be as simple as possible. It will always be a goal of the State Department of Education to minimize or reduce paperwork inherent with reporting or monitoring systems. It is obvious, however, that the more complex the evaluation process, the greater the volume of paperwork will become.

Legislative Audit Council Recommendation:

The State Board of Education should revise the accreditation rating system, emphasizing the purpose of the accreditation process and defining the ratings to clarify the meaning of the levels of accomplishment, progress, and compliance.

State Department of Education Response:

The accreditation rating system will be revised as an integral component of the new accreditation system. The purpose of the system will be defined and a rating system developed that will include quantitative and qualitative factors.

Legislative Audit Council Recommendation:

The State Department of Education should develop written policies on the accreditation process to be followed in determining preliminary ratings and assigning final ratings.

State Department of Education Response:

The new accreditation system will address the procedures for determining preliminary and final accreditation ratings, and these will be stated in supporting documents and publications.

Legislative Audit Council Recommendation:

In revising the Defined Minimum Program, the State Board of Education should evaluate the need for continuing the use of the "assurances" as part of the BEDS monitoring system.

State Department of Education Response:

The use of assurances will not necessarily be discontinued. While revision of assurances' content and use of data collected is necessary, elimination of their use cannot be predicted at this time. This is an area of study by the committees involved in revising the accreditation process.

BASIC SKILLS

Legislative Audit Council Recommendation:

The State Department of Education should eliminate the "Processing Toward Compliance" rating from the Basic Skills Assessment Program.

State Department of Education Response:

The State Department of Education concurs with the recommendation and will recommend the "Progressing Toward Compliance" rating be eliminated.

Legislative Audit Council Recommendation:

The State Department of Education should analyze the Basic Skills monitoring report to determine common causes for district noncompliance with the program and make recommendations for appropriate action.

State Department of Education Response:

Basic Skills monitoring reports already contain reasons for district noncompliance and recommendations are made to assist each district in achieving compliance.

Legislative Audit Council Recommendation:

The State Department of Education should adopt standards and criteria for assessing school district compliance with the Basic Skills Assessment Act.

State Department of Education Response:

Standards and guidelines are in place and are utilized in every monitoring visit.

Legislative Audit Council Recommendation:

The State Superintendent of Education should examine priorities of the Basic Skills Section and ensure that school districts are monitored for basic skills compliance in a timely manner.

State Department of Education Response:

The State Department of Education concurs that school districts should be monitored for basic skills compliance "on a timely basis." Monitoring of BSAP and compensatory programs is a primary function of the Basic Skills Section; however, that small staff must also provide technical assistance and leadership to school districts to ensure quality programs. These functions include but are not limited to: textbook adoption, selection and utilization; teacher training; curriculum development; program implementation, etc. A budget request was made to the General Assembly to provide adequate staff to monitor school districts for BSAP compliance on a three year cycle.

TEACHER EDUCATION PROGRAMS**Legislative Audit Council Recommendation:**

The State Board of Education should take only those actions which are specified in State regulations when reviewing teacher education programs for state approval.

State Department of Education Response:

The findings and recommendation are accurate. It should be noted, however, that the State Board of Education did not take its action until hours of review and deliberation ended. The Education Improvement Act requires the State Board of Education to add to and upgrade the standards for program approval in teacher training. Weaknesses noted in the current standards have been addressed by the State Board of Education, and a category entitled "Probationary Approval" is being recommended as a future category.

TEMPORARY CERTIFICATES AND PERMITS**Legislative Audit Council Recommendation:**

The General Assembly should consider not renewing the Proviso to the Appropriations Act which exempts teachers with Temporary, Out-of-Field, and Emergency Certificates from complying with state certification regulations.

State Department of Education Response:

This recommendation is acceptable as written.

TEACHER RECRUITMENT**Legislative Audit Council Recommendation:**

The General Assembly should consider requiring the State Department of Education to conduct a study to determine the feasibility of providing additional incentives to teachers with professional teaching certificates to work in school districts which can document difficulty in recruiting qualified teachers. The incentives studied should include additional pay.

State Department of Education Response:

The study that would be required by this recommendation may produce useful information. However, adequate personnel and fiscal resources should be provided in order that such a study be executed efficiently and effectively within a reasonable time frame.

VOCATIONAL EDUCATION**Legislative Audit Council Recommendation:**

The General Assembly should consider removing the exemption of vocational agriculture programs from the 50% Job Placement requirement imposed on all other vocational education programs by state law.

State Department of Education Response:

Agriculture, which includes both production and agribusiness, is our most basic industry and contributes 22% of the gross national product. Instruction and development of competencies in agriculture is important for those persons who plan to become engaged in production agriculture or employed in another of the more than 200 career opportunities available. The training is also beneficial to those who may farm part-time as a way of life and work in business and industry to support and raise a family. The public is becoming more concerned about the status of the family farm during the present economic difficulties in the agriculture industry. Placement of high school graduates is sometimes difficult due to the large investment required to become established in farming or agribusiness. Also, some of the job opportunities available offer only minimum wages to beginning workers. It is estimated that 50,000 agricultural graduates are needed annually and that there will be a 13% shortage on a national basis.

Legislative Audit Council Recommendation:

The State Department of Education should develop written guidelines for school districts to use when calculating vocational education job placement rates. These guidelines should include definitions for determining graduates available for placement and graduates placed in area trained.

State Department of Education Response:

Although the language of the Education Improvement Act is quite clear regarding placement of graduates of vocational education programs, the State Department of Education will develop further written clarifications of the intent of the law for school districts to use when calculating vocational education placement rates. These guidelines will include definitions for determining graduates available for placement and graduates placed in area trained.

Legislative Audit Council Recommendation:

The State Department of Education should verify vocational job placement statistics, reported by school districts, by periodically contacting a sample of the graduates from whom the statistics are obtained.

State Department of Education Response:

Each year twenty percent of the schools offering vocational education programs are audited thoroughly, measuring the programs against standards approved by the State Board of Education. In these standards a careful and extensive review of a school's placement records has taken place. To meet the recommendation of the Legislative Audit Council, additional criteria will be added to the standards that will require the auditor to contact a sample of the graduates, as reflected in the school's placement records, as a means of verifying the job placement statistics.

CHAPTER III FINANCE

DISTRICT JANITORIAL SERVICES

Legislative Audit Council Recommendation:

The State Department of Education should maintain information on districts which contract for janitorial services, including the name of the contracting district; the district's contact person; savings realized from contracting, if applicable; service satisfaction; and the name of the contracting company. Also, the department should make this information available to all districts to assist them in studying the feasibility of contracting for janitorial services.

State Department of Education Response:

The State Department of Education will collect and disseminate information relative to contracting for janitorial services.

MINIMUM TEACHERS' SALARY SCHEDULE

Legislative Audit Council Recommendation:

The General Assembly should consider authorizing the State Department of Education to adjust the funding of the minimum teachers salary schedule to account for funds restored to the Education Finance Act in FY 1983-84.

State Department of Education Response:

Again, as stated in response to the Summary Statement of the Legislative Audit Council on page 2, the funds reduced by the Governor's veto message were not restored. Therefore, there are no funds to account for.

The Governor's veto reduced the 1982-83 minimum salary schedule for teachers by \$5.9 million and the General Assembly did not restore the FY 1982-83 reduced amount. Since salary levels are already established, it would be necessary for the General Assembly to appropriate additional funds to implement an increase in the minimum teachers salary schedule. However, any increase in the General Fund (EFA) will require additional matching funds at the local level. The fundamental issue in this concern is what portion of the teachers minimum salary schedule will be funded by the State's General Revenue Fund (Education Finance Act) and what portion will be funded by the special sales tax under the Education Improvement Act.

FRINGE BENEFITS ACCOUNTING CONTROLS

Legislative Audit Council Recommendation:

The Internal Auditor of the State Department of Education should monitor the results of the Department's efforts to discourage overdrafting by districts of their fringe benefits allocation. If the State Department of Education's efforts to discourage overdrafting are not successful, the General Assembly should consider giving the Department authority to enact other penalties for districts which overdraft their fringe benefits allocation.

State Department of Education Response:

The State Department of Education disagrees with this recommendation. We do not agree that a monitoring plan or the imposition of penalties will be the solution to an existing systemic problem. An alternative solution to this concern is recommended.

- 1) That the funds for Health Insurance, FICA, and Retirement for Public School Employee Fringe Benefits be appropriated directly to the South Carolina Retirement System (Budget and Control Board), and the responsibility for managing the program be assigned to this agency.
- 2) Or that the funds for Health Insurance, FICA, and Retirement for Public School Employee Fringe Benefits be appropriated to the State Department of Education along with a proviso to transfer these funds to the South Carolina Retirement System for management and administrative purposes.

However, if Health Insurance, FICA, and Retirement continue to be appropriated to the State Department of Education, full authority should be given to the Department to administer the program through an allocation system consistent with the system used for the allocation and distribution of Education Finance Act and Education Improvement Act funds.

ALLOCATION OF SCHOOL DISTRICT EMPLOYEES' FRINGE BENEFITS

Legislative Audit Council Recommendation:

The State Department of Education should take action to eliminate the special provision of the fringe benefits formula so that the allocation to each school district is proportional to its number of weighted pupil units and inversely proportional to its index of taxpaying ability.

The allocations to the County Boards and Area Vocational Centers should be calculated using the previous year's allocation increased by the inflationary increase in the statewide appropriation. A three year phase-in period should be implemented to ease the initial effect on some districts.

State Department of Education Response:

The special provision in the fringe benefits formula is a statutory requirement. This issue has been studied by a legislative committee. In the event legislative action is taken, the Department of Education will provide information and assistance as appropriate.

FUNDING FOR VOCATIONAL EDUCATION FACILITIES

Legislative Audit Council Recommendation:

The State Department of Education should develop guidelines for districts to use in preparing overall facility development plans and financing plans for vocational education facilities to meet the requirements of the 1981 Bond Act.

State Department of Education Response:

The State Department of Education has developed guidelines for districts to use in preparing vocational facility development plans and financing plans for vocational education facilities.

Legislative Audit Council Recommendation:

The State Department of Education should not recommend for funding any vocational education facility in a district that has not submitted planning information as required by the 1981 Bond Act.

State Department of Education Response:

Insofar as vocational facilities recommended for funding through the State Department of Education, school districts have consistently submitted planning information as related to their needs. This information is used in developing the five year vocational facilities plan as required by the 1981 Bond Act.

**CHAPTER IV
ADMINISTRATION**

STATE BOARD OF EDUCATION

Legislative Audit Council Recommendation:

The General Assembly should consider action to prohibit school district employees from serving on the State Board of Education.

State Department of Education Response:

On the surface this recommendation to the General Assembly seems both fair and equitable. There is, however, an argument which would support educators serving on the State Board of Education because of professional knowledge and expertise they bring in addressing the various educational issues which face the Board. Should the General Assembly choose to address the requirements for State Board of Education membership, it should consider the conflict of interest potential in the broadest sense with occupation being one of the factors.

CERTIFICATION RENEWAL

Legislative Audit Council Recommendation:

The State Department of Education should promulgate regulations which require teachers and other instructional staff to complete certificate renewal requirements by the dates their certificates expire.

State Department of Education Response:

The State Department disagrees with the recommendation noted above. Most teachers complete their renewal requirements prior to the official expiration date. However, since summer school is still the primary method used for renewal, a regulation of this nature would eliminate the use of credits earned in summer school in the final year of the credential's period of validity.

CERTIFICATION FEES**Legislative Audit Council Recommendation:**

To partially offset the cost of certifying teachers, the State Department of Education should charge a fee to individuals applying for teaching certificates.

State Department of Education Response:

This recommendation could be beneficial if the fees generated could be used to improve office automation or employ additional staff in order to provide more efficient services. However, the benefit of the dollars generated should be weighed against the negative impact the fee could have at a time when teacher shortages are a national concern.

SELECTION OF SUBJECT AREAS WITH TEACHER SHORTAGES**Legislative Audit Council Recommendation:**

The State Board of education should establish specific criteria for determining subject areas with critical teacher shortages.

The State Department of Education should develop written review procedures to assess teacher shortages in all areas of certification.

State Department of Education Response:

This recommendation is acceptable as written.

COST CONTROL AT BUS MAINTENANCE SHOPS**Legislative Audit Council Recommendation:**

The State Department of Education should develop cost standards for the operation and maintenance of school buses. The standards should be used to prepare bus shop budgets and to evaluate the performance of bus shop supervisors. The State Department of Education should require bus shop supervisors to obtain written approval before exceeding their budgets.

State Department of Education Response:

The State Department of Education, Office of Transportation, recognizes the benefits and need for stricter budget controls with regular analysis and justifications when a shop exceeds the budget. Greater control has been achieved through implementation of a partially centralized purchasing system which includes an encumbrance system that precludes overspending and requires several management level decisions prior to the transfer of funds. A mini-computer in the Office of Transportation also provides easier access to appropriate data that can be used in budget management. The Office of Transportation has consistently maintained a monthly cost analysis of each school bus maintenance shop that includes counseling with shops that overspend and recognition for those that maintain average or below-average cost.

In 1983-84, the Office of Transportation implemented a shop evaluation program which has developed standards leading to more uniform shop operations. These standards are currently in the process of refinement to include appropriate budget preparation and budget maintenance.

ALLOCATION OF SCHOOL BUSES

Legislative Audit Council Recommendation:

The State Department of Education should allocate buses so that the age distribution is approximately equal across the state. The Department should also adopt and follow a written policy which specifies criteria for allocating spare school buses.

State Department of Education Response:

The Office of Transportation consistently strives to maintain equality in the distribution of new buses throughout the 44 maintenance shops. There are a number of factors that affect this process.

The Department has purchased only diesel buses for the past two years which creates replacement problems until fueling and maintenance support can be provided at each shop. The number of diesel tankers available also limits our ability to spread the buses equally throughout South Carolina.

Extensive re-routing has taken place in the last three years in those areas cited as having the newest fleet of buses. In the re-routing process, the number of buses at each shop was reduced which eliminated a number of older buses from each shop. The Department will attempt to bring better balance by not providing new buses to these shops until others reach the same standard. Another limitation to equal distribution of buses is the number of different makes. In an effort to be more efficient, it is necessary to assign like makes to general areas to prevent carrying spare parts and other maintenance equipment in all shops throughout the state.

The Office of Transportation has, for many years, maintained one spare for each fifteen route buses. More demands have been placed on the use of equipment through the expansion of field trips, mid-day kindergarten, and hazardous off-route pickups, etc. In many instances, the one bus per fifteen has become inadequate for program support. Over the past several years, additional buses have been added as required by varying circumstances.

The Department will implement a written policy providing one spare bus for every twelve route buses with any additional units being justified on an individual shop basis. In order to accomplish this, the Department will require additional funds for new buses or will be required to maintain more old buses that would normally be disposed of.

VANDALISM AND ABUSE OF SCHOOL BUSES

Legislative Audit Council Recommendation:

The State Department of Education should contractually require school districts to reimburse the state for all damages to buses from vandalism and abuse which occur while they are being used by the districts.

State Department of Education Response:

The Department will develop an appropriate recommendation to present to the State Board of Education to implement this recommendation.

EXTRACURRICULAR USE OF SCHOOL BUSES

Legislative Audit Council Recommendation:

The State Department of Education should follow state regulations and ensure that school districts are charged the full cost of using state-owned buses for extracurricular and summer school activities. These charges should be updated on an annual basis.

State Department of Education Response:

The Department agrees with the recommendation on extracurricular use of school buses and will recommend to the State Board of Education that the fees on state-owned buses be updated to reflect current cost of operation.

SALE OF SURPLUS SCHOOL BUSES

Legislative Audit Council Recommendation:

The State Department of Education and the Division of General Services should determine if the state could increase revenues by selling surplus school buses through public auction rather than by competitive sealed bidding.

State Department of Education Response:

The Department initiated a pilot test with the Division of General Services of selling buses at auction rather than through the sealed bid process. A fifteen percent increase in sale price was realized through auction. (The average price from a sealed bid was \$582.69; from auction, \$672.73.) However, several drawbacks confront a change in the system. They are as follows:

1. The fifteen percent benefit of sale by auction does not reflect a minimum cost of approximately \$100 per bus in relocating the equipment from the 44 shops to Columbia as indicated below:
 - (a) Wage of driver to transport equipment, if bus is in running condition.
 - (b) Expense of using a wrecker, plus driver, if bus is not running.
 - (c) Cost of second driver to transport bus driver back to shop.
 - (d) Cost of gas in bus plus cost of gas in wrecker or second pick-up vehicle.
 - (e) Time lost from the shops routine and/or emergency calls while drivers are transporting buses to Columbia. The majority of shops are now operating with a short staff and utilization of staff for this purpose could seriously impair a shop's operation.
2. Organizing a large sale, such as the 332 lots sold in October, 1985, occupies many hours of an already limited staff.
3. Thirty-one percent of the lots did not sell in the October, 1985 sealed bid bus sale. Some will remain available for sale for a year or more. The storage is no problem since buses to be sold are parked at the shops. General Services now has limited storage space for the unsold lots. In this case, it means leaving room for 103 buses. We recommend buses continue to be parked at the shops until they are sold. The buyer is then responsible for moving the equipment they bought at no cost to the state.
4. Using the Highway Department as a comparison is not appropriate. The Highway Department offers a wide variety of vehicles that attract a broader clientele whereas a school bus sale is only attractive to a limited number of buyers.
5. Examples cited from Georgia and Florida showing an increase in revenue reflect county-owned, not state-owned, equipment as in South Carolina. Their auctions are centralized by county, not state.

The State Department of Education will continue to work with the Surplus property Division to develop the best method of selling used school buses.

CONTRACT TO REBIND USED TEXTBOOKS

Legislative Audit Council Recommendation:

The State Department of Education should use competitive sealed bidding for awarding the contract to rebind used textbooks.

State Department of Education Response:

On August 12, 1985, the Department of Education submitted a request to the Materials Management Office to bid a contract for rebinding school textbooks for a period of one year. Bids were solicited by Materials Management during the period of September 20, 1985, through October 14, 1985, and were opened the latter date. After evaluation of the bids, an award was made to the South Carolina Department of Corrections, Division of Industries, in accordance with all policies and procedures set forth in the South Carolina Model Procurement Code as well as the Budget and Control Board's procurement regulations.

During the years preceding the State Consolidated Procurement Code, the Department of Education was unable to locate any business or facility within the state, other than the Department of Corrections, that could provide the rebinding services required. However, upon learning of out-of-state businesses that could provide the rebinding services, we immediately initiated the bid process.

ASSISTANCE TO MINORITY BUSINESSES

Legislative Audit Council Recommendation:

The State Department of Education's minority business enterprise liaison officer should report directly to the Deputy Superintendent of Finance and Operations. The Deputy Superintendent should ensure that plans and quarterly reports are submitted to the Office of Small and Minority Business Assistance, and minority businesses are solicited to participate in the Department's procurement process.

State Department of Education Response:

The Department of Education's Minority Business Enterprise liaison prior to July 1, 1985, was the Director of the Personnel Office. After that date, the Director of the Office of Purchasing was appointed as the new liaison and still functions as such. Both individuals have been and are still supervised and report directly to the Deputy superintendent for Finance and Operations.

The Deputy Superintendent will insure that plans and all reports are submitted as required.